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ROYAL COMM. ON COAL

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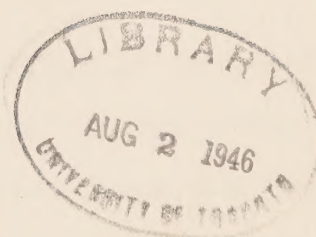
ROYAL COMMISSION ON COAL

Ottawa, Ont., Saturday, October 6th, 1945.

VOLUME XLIX

WITNESS: A. A. Curtis.....Pages 4490 - 4523

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THE ROYAL COMMISSION ON COAL

Ottawa, Ont.,
Saturday, Oct. 6th, 1945.

The Commission met in the Court Room of the Board of Transport Commission, at Ottawa, Ont., on Saturday, October 6th, 1945, at 10:00 o'clock A.M.

PRESENT:

His Lordship the Honorable Mr. Justice W. F. Carroll, Chairman

His Lordship the Hon. Mr. Justice C. C. McLaurin, Commissioner

Angus J. Morrison, Esq., Commissioner

J. J. Frawley, K.C., Commission Counsel

Robert D. Howland, Secretary.

MR. A. A. CURTIS on the stand - EXM. BY MR. DYSART (continued)

Q. Mr. Curtis, when the Commission adjourned yesterday I think I directed to you a question with respect to pages 6 to 10 of the supplementary brief filed by Mr. Gouge, and I was interested in knowing whether you had any comment to make to the Commission on that section of the supplementary brief. As you probably have noticed Mr. Curtis, pages 6 to 10 contain certain suggestions with respect to train operation. Do you agree with the statements made in that portion of the brief?

A. There are a number of statements on pages 6 to 10 that I undoubtedly do not agree with.

Q. Would you give the Commission a few illustrations or examples?

A. For example on page 6, about the 7th line down, it states:

"It will be noted from the table that the average length of haul, of each train for that period ran from 348 miles to 428 miles."

Q. What are the facts?

A. The facts are that this table from which it is taken, which is headed "Average Length of Freight Haul" is not train miles at all. It is the length of haul of the average ton and it is arrived at by taking the total ton miles accrued in Canada and dividing by the total tons handled, so that the figure is the

average distance per ton and has no relation to the length of the average run of a train at all. The average run of a train is of course governed by operating conditions and usually runs from 100 to 150 miles.

BY MR. FRAWLEY - You mean that these figures 300 up to 400 should be more like 100 and something?

A. That is correct in so far as train miles are concerned.

BY COMMISSIONER MORRISON - Which column are you referring to?

A. The second column on page 6, for the average length of freight haul.

BY MR. FRAWLEY - And Mr. Gouge has been interpreting that as length of train movement?

A. Yes.

A. And you say it is per ton movement?

A. It is the average length that the average ton is hauled.

A. These statistics are all furnished by the railway companies through the D.B.S. and that is how they get into this Year Book?

A. Yes.

BY MR. DYSART - You are not criticizing the figures as such, but Mr. Gouge's interpretation of them?

A. Yes.

BY COMMISSIONER MORRISON - They are really your own figures?

A. Yes.

EXM. BY MR. DYSART (continued)

A. They were never intended to have that interpretation?

A. No. There is also another item on page 7, the second paragraph: "The average receipts per ton of freight handled over this seven year period is shown as \$3.45. The return per ton we suggest on a full train of 2000 tons would be \$4.50 to distributing point with added revenue for distribution."

Q. How do you arrive at that figure?

A. That figure is arrived at, or the first item \$3.45 is the average revenue which the railways receive for their average ton of freight. The second item, the \$4.50 is the amount that the coal operators feel should be allowed for moving a train 2000 miles.

BY MR. GOUGE - I explained to the Commission that I put little stress on that paragraph, and I don't think it means very much.

EXM. BY MR. DYSART (continued)

Q. We are prepared to drop that then. Now Mr. Curtis, on pages 11, I think, to 15, Mr. Gouge has set forth numerous calculations purporting to show that the movement of certain commodities would produce less per train mile revenue than the 2000 ton coal train which he suggests to various destinations in Ontario. Are you in agreement with the various calculations he has made? Do you accept them as correct?

A. I don't agree with the inferences he has drawn because the method of calculation that Mr. Gouge has used must of necessity produce lower costs for the average train - excuse me, lower revenues for our average train than for the coal train. The reason for this is that the examples are, with one or two exceptions, all based on a train load of 27 comparatively lighter loaded cars, whereas our coal train is to handle 50 cars with a load of 40 tons each.

BY THE CHAIRMAN - Will you just give us that again. It is based on the calculation?

A. This method of calculation necessarily produced a lower train load, and hence - I am sorry, I read the wrong paragraph: The reasons for these results is the fact, with one or two exceptions, the examples are all based on a train load of 27 comparatively lighter loaded cars, whereas our coal train is to handle 50 cars with a load of 40 tons each. This method of calculation necessarily produces a lower train load and hence a lower revenue per train mile for the sample commodities, than our coal train. Take one instance, the first example on page 11, which covers 25 cars of oil of 33 tons per car, or 825 tons of oil per train. Whereas our coal train is to handle 2000 tons. Had the oil train been loaded to the same tonnage as the coal train, the revenue per train mile would have been \$11.61 instead of \$4.79 as shown. There is a further feature, however, in this which should be brought out. The calculation of revenue per

train mile as used by Mr. Gouge in these examples, is based on what you might term the loaded train miles only. It is assuming that we have train miles from the point where the commodity starts to the point where it ends, and does not take any account of the fact that you have train miles in the opposite direction.

Q. In some instances I suppose the empties is a very high percentage of the total movement?

A. Sometimes it is and sometimes not. Sometimes it runs as high as 100% and sometimes less. The only way to figure each of these examples out would be to make a study of the example in each case.

BY COMMISSIONER MORRISON - What were the exceptions you referred to? You said "with some exceptions".

A. The first exception is the first example where he used 25 cars per train instead of 27 cars per train; and I think there are two others if I remember rightly. On page 13 he used an example with 10 cars per train, but he did qualify by saying what would happen if it had been 15 cars. Just the two Sir.

EXM. BY MR. DYSART (continued)

Now Mr. Curtis, I notice the example at the bottom of page 13 deals with the rate on lumber from Vancouver to Halifax, 94½¢ per 100 pounds. Mr. Gouge reaches the conclusion that the per train mile revenue would be \$3.73.

A. As a matter of fact there is a mathematical error in that, it should be \$5.54.

Q. Would you explain how the proper calculation should be made there?

BY COMMISSIONER McLAURIN - You say that taking Mr. Gouge's formula, there has been just a mathematical mistake?

A. Yes.

Q. It disagrees with the formula even on the basis of his own formula?

BY MR. FRAWLEY - Using the same figures throughout, he has made a mathematical error?

A. Yes.

BY COMMISSIONER MORRISON - It could be a typographical error?

A. Yes.

EXM. BY MR. DYSART (continued)

Q. That affects the conclusions drawn on page 14?

A. Yes, that does.

Q. Are there any other of these calculations which you think may contain errors of a similar nature?

A. Yes there is one other on page 12. The first calculation on page 12.

Q. That is \$4.57?

A. It shows the revenue per train mile for a distance of 350 miles to be \$3.70, and then there is a little sentence which says:

"Here again if we should use fifty car trains the revenue would be only \$4.57 per train mile." That is a mistake, it should be \$6.85.

Q. Then Mr. Curtis, I assume that the calculations which you disagree with is on the fifty car train?

A. Yes sir.

Q. So that would mean that the figure at the bottom of page 13 of \$3.73 is correct, but the \$4.94 on the top of page 14 is the one which contains the error?

A. The \$4.94 would also be in error.

Q. That is on page 14?

A. Yes.

BY THE CHAIRMAN - Do you base your calculations on always a full car coming back say from Vancouver to Halifax?

A. Those calculations are based on Mr. Gouge's formula. I have merely corrected the arithmetic.

Q. But you say Mr. Gouge has based his calculations apparently on a one-way, and does not take into consideration the expense of no traffic, or no freight coming back. I am talking about the mileage.

A. It does not take into consideration...

Q. Is your calculation based on the fact that all these trains coming from Vancouver to Halifax, do they come back from Halifax with freight? Not empties?

A. Are you referring to my remarks about the \$4.62?

Q. I am referring to the fact that you said that Mr. Gouge didn't take into consideration the mileage that those cars had to run freight free, no revenue, coal cars?

A. Yes sir; in regard to the movement of the coal train which..

BY COMMISSIONER McLAURIN - This is the position you took on cross-examination, and I understood from your opening remarks that you objected to this whole formula on the basis that Mr. Gouge's calculations were based on one way movement?

A. Correct.

Q. And in many cases you would have to double it, and in many other cases there would be a return movement where you could work out identical costs?

A. Yes.

BY THE CHAIRMAN - What about the car that comes back

to Vancouver with lumber, from Halifax. Are you basing your mileage there on obtaining revenue coming back for all your cars?

A. No Sir, this calculation Mr. Gouge has made does not take into consideration any west bound movement at all.

Q. I know that. Did you take into consideration getting revenue from every car going back from Halifax to Vancouver, with lumber or some other commodity, to arrive at that figure?

BY COMMISSIONER McLAURIN - All he is doing is taking Mr. Gouge's formula and he says you add something to it, and he is just correcting the arithmetic in Mr. Gouge's formula.

A. That is correct.

Q. And you say the actual cost would have to take into consideration the return movement, as a lot would come back without revenue?

A. That is correct.

BY THE CHAIRMAN - My question is, are your rates on lumber from Vancouver to Halifax based on the fact that you are getting a return load going back?

A. I don't think I can answer questions on rates. I don't know anything about rates.

Q. You are answering questions on rates, you are criticizing the methods by which Mr. Gouge has arrived at his calculations.

A. If we refer to costs. In estimating costs on the movement of any commodity we always take into account how much empty mileage that commodity could cost. For example, in estimating costs on the movement of Alberta coal to Ontario back in the early years, we took the amount of cost of moving the loaded car from point of origin to destination, and then what it cost us to move the empty car back. The amount that would be charged to the empty car would of course depend to some extent on the amount of empty mileage.

Q. Are you talking of lumber or coal?

A. Coal in that particular instance.

BY MR. DYSART - If I understand the Chairman of the Commission correctly, what he is interested in ascertaining is whether or not when fixing the cost of movement of any specific commodity consideration is given to the possibility of return empty movement.

BY MR. FRAWLEY - Or return full movement.

A. Yes. When we have occasion to move other products, yes.

BY COMMISSIONER MORRISON - Mr. Gouge says on page 13: "Both railways quote a rate on lumber from Vancouver to Halifax of $94\frac{1}{2}$ ¢ per 100 pounds." Is that a fact? You have not questioned that?

A. Yes sir.

Q. Now in arriving at that rate, was it calculated on return movement of some commodity in the car, or was it calculated on empty car movement back?

BY MR. DYSART - Before the witness answers that, might I interject this. The rates are not set after a cost study has been made to determine what it will cost to make the movement. Sometimes it is and sometimes it is not, but in the setting of a rate we do not embark upon an economic study to find out the cost and predicate the rate on that.

BY THE CHAIRMAN - What do you do?

BY MR. DYSART - What the traffic will bear, taking into consideration cost and size of commodity. In order to elucidate that we will

put into the box two rate men who have spent a great portion of their lives formulating rates, and this witness is a cost expert. He is the man who is called in when we want to know if we are making or losing money on any particular movement, so he would not know if those things were taken into consideration.

EXM. OF MR. CURTIS BY MR. DYMART (continued)

Q. There has been use made, I think, in Mr. Gouge's brief of the term "average train mile". What does that mean?

A. The average train mile, or the average freight train mile as used by Mr. Gouge in this brief refers to the average train in Canada. It consists of all types of trains, that is to say it is the average of all types of trains, of the big heavy main line trains, and the trains that have nothing but a caboose, and the trains running on the branch lines that are light, so it is not a true figure of any particular territory at all, but merely represents the average of what has happened over Canada as a whole.

Q. It would be true to say that on branch line "A" the trains may be 3 or 4, whereas on the main line division there may be 60 or 70?

A. That is correct.

Q. And this is no criterion by which to judge the movement?

A. That is correct.

BY COMMISSIONER MORRISON - I refer you to the bottom of page 18.

In the very last paragraph Mr. Gouge refers to a negotiated rate. Is there such a thing as a negotiated rate?

A. Frankly Sir, I don't know.

Q. What is your interpretation of a negotiated rate?

A. My interpretation of it, for what it is worth, is that it is a joint agreement between the coal operators and the railways and presumably means concessions on both sides.

Q. Do you know of any rates that have been established by that method?

A. I am sorry Sir, I don't know.

Q. Would your associates know anything about it?

A. I don't know.

BY MR. FRAWLEY - Mr. Knowles and Mr. Jefferson would probably know.

BY COMMISSIONER MORRISON - Would you find out.

BY MR. KNOWLES - Every rate is negotiated, except the basic class rates and standard mileage rates. Every rate is, generally speaking, a negotiated rate. I would say that a great part of the rate structure in Canada is negotiated with the shippers. I would say 75% of the rates, and the rest are set by the Board of Transport Commission.

Q. Have there been any requests on the part of the coal operators of Alberta for such negotiated rates?

A. I have two thousand pieces of correspondence on my files regarding negotiated rates from Alberta to Ontario. Nothing else for the last 22 years.

Q. When was the last negotiation?

A. I think 1932 or 1933.

Q. I suppose you received some of these 2000 letters since 1932?

A. No, all prior to that.

Q. Have you had any requests for negotiations of this nature since 1932?

A. No, since the \$8.00 rate was put in so far as my knowledge goes we have not been asked for any further reduction in rates, until Mr. Josse Gouge sent this submission to the railway before this hearing.

Q. And he has never requested you to sit around the table and exchange views:

A. He might have with the Western Office, but it certainly didn't come to Montreal.

Q. Would Montreal be the proper place to approach?

A. No, he would approach the Western Office first, and when they got as far as they could, they would come to Montreal.

BY MR. GOUGE - You have here as an Exhibit a document which we forwarded to the Railway Company 3 or 4 months before we prepared this brief, asking for a negotiated rate. That was in the first evidence we put in.

MR. DYSART - That communication to the Railway Company I think you consider even in Calgary, was not exactly a request for negotiation.

MR. GOUGE - I think it was, because had the Railway Companies acceded to that request and started negotiations, it would have stopped further filing of any application to this Board.

BY COMMISSIONER McLAURIN - Frankly, Mr. Gouge, if I had been the recipient of that document I would not have been in any mood to negotiate.

BY MR. DYSART - Might I say it was placed in an envelope and just addressed to the railways generally, a mimeographed paper without any signature, or addressed to any specific officer. We got it eventually.

BY COMMISSIONER MORRISON - Perhaps Mr. Gouge as a shareholder of your company had certain liberties that he could not take with other companies.

BY MR. DYSART - I think he took the same liberties with the other road.

BY MR. GOUGE - The original copy was signed, the rest possibly might not have been signed.

BY MR. DYSART - That is merely in passing. The point is that in arguing, this memorandum which was circulated was designed for submission to this Commission, and it had passed the stage where negotiation was proper in our view, when we received it.

BY COMMISSIONER McLAURIN - Did you advise them of that?

A. I could not say. I know I personally advised Mr. Cooney.

BY COMMISSIONER MORRISON - It was not a question of jurisdiction?

A. No, Sir.

EXAMINATION OF MR. CURTIS BY MR. GOUGE

Q. What fault have you found with this computation on page 13 regarding this lumber rate? I have checked it over again. In what way is that computation wrong?

A. I think Mr. Gouge that you will find that the \$472.50 multiplied by 27 cars produces a larger figure than \$12,757, or I should say by 50 cars.

BY MR. DYSART - I qualified that particular point on examination.

MR. CURTIS - I have to make a correction. I said that \$5.54 was a correction of the \$3.73. That is a mistake. It is a correction on the \$4.94 shown on page 14.

BY COMMISSIONER MORRISON - Before we leave this. At the bottom of page 13 the arithmetic under Mr. Gouge's formula is correct?

A. Yes sir. It is the next page I have reference to.

BY MR. GOUGE - The first computation resulting from the average train, on page 12, is correct. When I said that a 50 car train would not yield more than \$4.57, I stand corrected.

BY MR. FRAWLEY - Let us be sure about this mistake on the top of page 14.

BY THE CHAIRMAN - Before you come to that Mr. Frawley, he has made some reference to an error on page 12. As I understand it you acknowledge your error there, Mr. Gouge?

A. Yes.

BY COMMISSIONER McLAURIN - Which one?

A. In the second computation where I say a 50 car train would not yield more than \$4.57.

BY MR. FRAWLEY - On page 14 Mr. Curtis says that the \$4.94 should be \$5.54.

BY MR. GOUGE - I have not checked that one and would not be able to say. It is a matter of mathematics.

EXM. OF MR. CURTIS BY MR. GOUGE (continued)

Q. Mr. Curtis you say now, and you said yesterday that the actual return on our train of coal instead of \$4.62 would be \$2.31, and that would be due to the return of the empties. That is something we got corrected at Ottawa in a very important hearing by the Government of Canada in referring to this question. I want to call your attention to the same computation here, I don't know that it was very clear either to the Chairman or to me. The computation admittedly is right. The computation shows a net return of \$3.73 per train mile. Are you willing to say to the Commission that that is not correct, that it should be \$1.80?

A. You are referring to page 13?

Q. Yes. Should that \$3.73 be \$1.83 or \$1.82 or whatever it is?

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A. A. Curtis

A. My answer to that Mr. Gouge is that the \$3.73 is not correct.

Q. Will you tell us why? Is it too high?

A. No, it is too low. And the reason it is too low is because every train that moves from Vancouver to Halifax (I am talking about trains, not cars) has to move back again.

Q. And that divides the recovery? Makes it one-half?

A. In the coal.

Q. Why would it not do so in the recovery for lumber?

A. May I finish talking about this first? The reason this \$3.73 is not correct is because every train coming from Vancouver to Halifax, we know that they all have to go back again. They will be utilized for traffic going back and therefore, while from general knowledge I know that, generally speaking our eastbound movement is what controls the number of train miles and therefore the westbound movement will be reduced by reason of the fact that there is traffic going back. How much of that traffic going back is chargeable to the lumber, I don't know without a study.

Q. But the fact remains that in this computation you are giving credit for the earnings of a train of lumber calculated upon the rate going east?

A. That is right.

Q. Should that be divided by 2 to get the exactly correct amount earned on that train?

A. No Sir.

Q. Why?

A. Because you have traffic going back that you can utilize.

Q. Do you know that?

A. Yes.

Q. Why don't we have any traffic going back that the box cars could utilize?

BY THE CHAIRMAN - One reason I suppose is that European trade comes through Halifax and more chance of getting freight on the return trip.

BY MR. CURTIS - My answer to that is that we are answering the question as to as to whether coal moved in a train lot train of 2000

tons can be moved at a given rate. Now if you are going to have a train lot train of 2000 tons it has to be moved east, and every movement has to go back, and inasmuch as we are already moving more trains back than we have tonnage for, if we superimpose an entirely new movement on top of it, the additional train miles will be all additional again.

EXM. OF MR. CURTIS BY MR. GOUGE (continued)

Q. It would not make any difference Mr. Curtis in that respect whether it was a full train that went east or a 27 car train; it would not make any difference in what would follow with respect to the cars. They would be in proportion.

A. How do you mean?

Q. I mean that you stress the 2000 ton train and that makes the return of the empties a complete 100% probably. Would that be any different than if you were operating 27 car trains? You would have the same problem in proportion, would you not?

A. I think so, Sir.

Q. Now then I want to ask you, do you know much about this lumber movement?

A. Not specifically.

Q. I would ask you what kind of lumber was mostly transported on these trains, heavy long lumber, big sticks, or dressed and manufactured?

A. I am sorry, I don't know.

Q. What kind of cars do you use for transporting lumber?

A. Box cars I should think mostly, although much is loaded on flat cars, too, and sometimes in the open top gondolas.

Q. And if it is heavy rough lumber in long lengths, it is never loaded in box cars is it? I know I have tried it.

A. I wouldn't say never, Sir.

Q. I might say it might be an exaggeration, but I have tried to put long sticks in box cars, and you can't do it. Now what kind of trade have you got coming back from the Atlantic Ocean that is suitable for loading on flat cars with stakes?

A. I am afraid Sir, I can't say.

Q. Is it not a fact that there is a lot more likelihood for traffic to be moved in either direction in box cars than in open cars, or back from the east to the west?

A. I should think so. But may I ask, you are referring to the movement of empty cars, not trains?

Q. I am referring to the movement of empty cars, and I am not through with it because I want to know why if the coal train is to be credited only with 50% of its actual recovery, why the same thing does not apply to this train of lumber?

A. You are mixing up cars and trains. They are two different things, they have no relationship.

BY THE CHAIRMAN - Oh yes they have. He is asking you about, not train loads, but about this movement from the East to the West in trains or cars, with the traffic from the West to the East. He is confining his questions to the cars.

EXM. BY MR. GOUGE (continued)

Q. The whole movement. I asked the question of whether it would be more likely that box cars could be used on the return, than empty flat cars, and he said yes. Now I want to ask you if this computation made on the basis of your quoted rate figured out on a formula of the tons minimum loading, 27 car average trains, does not show the whole gross earnings of that train in one direction?

A. You are referring again to the bottom of page 13?

Q. Yes.

A. It shows the earnings in one direction, yes.

Q. And that is the same formula that we used figuring on the coal? It is the same formula that I have used in all of these examples figuring train load recovery or revenue, we have used the same formula?

BY MR. FRAWLEY - Do you agree with that Mr. Vurtis?

A. Yes Sir.

EXM. BY MR. GOUGE (continued)

Q. Do you then agree that these rates that I have credited you with are two times too high and that they ought to be cut in two to credit the cost of sending the empty car back?

A. No Sir, I would not say they should be cut in t

Q. Then the whole thing results in this, that you are willing to take credit for the recovery of all the trains except coal trains going east, but the coal train is only entitled to one-half of the revenue it brings in?

BY THE CHAIRMAN - There is the question of trains there, I think. Very few commodities from the west to the east are fitted for train movements.

BY MR. GOUGE - I might be a little short in my language or a little difficult to understand.

BY THE CHAIRMAN - I just wanted to bring that to your attention.

EXM. BY MR. GOUGE (continued)

Q. I am going to have this gentleman do a little calculating for me on the figures of what is now the ton rate to Ontario of \$8.00. If we take the rate of \$8.00 and figure it out on 40 ton cars, that is \$320.?

A. Yes sir.

Q. That is 27 cars on an average train where you handle this coal at the present time. How much do you get per train load?

A. I would take exception to the 27 cars.

Q. That is the average train load and that is high because it is the highest year you have made returns for. If you were hauling this coal at \$8.00 a ton to Ontario, and the average train load is 27 cars.

A. The average for all Canada as a whole, not for the coal route.

Q. I think we have to figure this on the average returns or average loadings of train loads.

BY THE CHAIRMAN - If we want the over-all picture, being more or less a public utility.

EXM. BY MR. GOUGE (continued)

Q. How much would you get per train load on that basis?

A. On the basis of 27 cars?

Q. Yes?

A. Eight sixty four, is that what you get?

Q. No, Eight thousand six hundred and forty.

A. Yes, that is right.

Q. Then a train load of coal hauled at the regular rate which you have established under the present system of handling, would not be as much by \$3,160. as our coal would at \$5.00 per ton?

A. That is true, but it is only fair to remember that this calculation is based on 27 cars, but your coal train will have to haul 50 cars.

Q. That is the very gist of this whole argument. The return to the Railway Companies by handling this traffic, which is a special traffic peculiarly adapted to this method of handling, that we can give you more revenue than you can get on any other commodity under that method?

BY COMMISSIONER McLAURIN - You invited Mr. Curtis to calculate a revenue of \$3.20 a car on a 27 car train, and what does it give you?

MR. GOUGE - \$8,640.

Q. Assuming the coal travelled in a solid coal train and didn't have any other commodities, you say that is the train revenue for that movement?

A. Yes.

Q. Now you suggest a train of 50 cars. What is the gross you suggest for that train?

A. Ten thousand dollars, at \$5.00 a ton.

EXM. OF MR. CURTIS BY MR. GOUGE (continued)

Q. Of course you understand Mr. Curtis that when you publish a rate and invite traffic under that rate, you are not limiting the amount that the public can give you, are you? If they brought to you a full train of this traffic under any rate you published, you would take it and transport it in that way?

A. We would take any traffic.

Q. So I think it is unfair to us, but not to you, when I make these calculations based on a full train load, because when you say you will take any commodity, you will take anything offered and transport it in the average way. So that a train load of coal under the present rate moved by average tonnage, and the average train would bring you back in revenue \$8364. That is merely another

calculation similar to the ones we have in the book.

A. Am I supposed to reply to that, or is it a statement? I agree the calculation is correct, but I don't agree that that is the fact.

BY THE CHAIRMAN - What have you to say about the fact? Is it an external fact?

A. I don't think it portrays the truth of the situation, because our coal train will have 2000 tons, and we have to move 2000 tons, whereas this average train, being an average of all types of trains, is only going to have seven hundred odd tons, and if we perform a service and move three times as much traffic, surely we ought to get more than the very small increase in the difference between Eight Thousand and Nine Thousand Dollars.

BY MR. GOUGE - You are getting at the very heart of our whole argument and I don't care to enter into that discussion now, because we have been in that ever since we started, the difference in cost between a full train movement and the cost of doing it your way. I am saying that a full train load, and I am submitting the evidence here, which is not my opinion but the opinion of men who are qualified, the I.C.C. in the United States, they say it can be hauled cheaper. I want to get down to that with you before you get through here. If I want to know what the Railway's opinion is of what could be done, is it not a pretty fair way to say what they have offered to do and what they are doing?

BY THE CHAIRMAN - I think more or less you are giving evidence Mr. Gouge, but if there was a question in it, you should give the witness an opportunity to answer

EXM. BY MR. GOUGE (continued)

A. I may be trespassing on my privileges here, your Lordship. If the Railway Companies have published rates at numerous times showing a difference of from 33% to 40% or more between trainload rates and one car rates, would that be any indication to you that there is a saving in the reduction of the economic transportation of the traffic?

A. I think I would assume that it is cheaper to move quantities.

BY THE CHAIRMAN - But he premised his question, if they do so and

so, that that is an indication that carload lots, or train loads are much cheaper than the ordinary type of traffic.

A. I think I would have to say no to that.

MR. GOUGE - Can you explain to the Commission on what grounds you would say no?

BY THE CHAIRMAN - Did you get the question precisely, Mr. Curtis?

BY MR. CURTIS - I think so, Sir. I think I would have to answer that question this way, Mr. Gouge. The principle of charging less for quantity movements is pretty well established.. It is evidenced by the difference between carload and L.C.L. rates, and also the lower rates quoted on most bulk commodity movements which are handled in quantity, and it is easy enough to visualize that it would take little longer to spot six or a dozen empties, or leave six or a dozen empties in some siding, than it would be to perform the same service for one car. The costs are only one of many factors which are considered in rate making, and very often the least important. And for this reason I don't think that the fact that a lower rate is charged for perhaps the movement of 25 cars than for one car, indicates that the railway can necessarily handle 25 cars for less than one car, although I admit that it probably can.

BY THE CHAIRMAN -

I want to premise this question by stating that I tried some years ago to get some idea of how the rates get to be made, and I gave a good deal of attention to it, and down the years I used to look into this question, and I never expect to know anything about how the freight rate structure is made. But when you say one thing here, when you say that the costs for a railroad are one of the least important items when you come to a question of rates - that was your answer?

A. Yes.

Q. Well rates are made I presume with a view, proper rates, with a view of giving the railroad a fair return on their money?

A. Yes sir.

Q. Is not that the first thing you would have to go into, the question of costs, both overhead and active, to arrive at a proper freight rate, I mean a reasonable freight rate?

A. I am not a freight rates man, Sir.

Q. You undertook to say that that was the least important thing in making freight rates?

A. I understand the big majority of rates are set, in fact I know, without any study being made of costs.

Q. I know that, but is it fair and reasonable I mean to the public?

EXM. OF MR. CURTIS BY MR. GOUGE (continued)

Q. You would not agree to add to the extent of saying that the rate should be lower than the costs, would you?

A. I certainly would not.

Q. So that the cost of the traffic actually does enter into the rate making up to the point of where you determine whether you can afford it, or whether you can't?

A. In a sense I think probably that is true.

Q. That is the sense in which we are pursuing this investigation, whether you can afford it, and then I think cost is very material and important. I want to know your opinion whether or not the railways, for instance the C.N.R. in the gravel case. You are familiar with these gravel rates, are you?

A. No sir.

Q. The C.N.R. published a gravel train rate plying from Bird Valley to Winnipeg. You published a rate there of 1 car 75¢ per cu. yd.; 20 cars 40¢ per cu. yd., a reduction of 46-2/3% for the train load movement. Has that any relation to the cost of moving that traffic? Was the cost taken into consideration in making that differential?

A. I know nothing about costs.

BY MR. FRAWLEY - Mr. Knowles and Mr. Jefferson are here to answer those things.

BY THE CHAIRMAN - I was going to suggest that Mr. Curtis does not pretend to be an expert on rates, and there will be a witness produced here that can probably answer your questions.

EXM. BY MR. GOUGE (continued)

Q. Reverting again to this question of returning empty cars. Your method of accounting does not make any charges for O.C.S. business, do you?

A. The cost of moving O.C.S. material.

Q. I am not asking you about O.C.S. cost. I am asking you if you keep an accounting record of that?

A. No.

Q. Moving empties from the place where unloaded is O.C.S. business, is it not?

A. No sir.

Q. Moving rails and ties to where they are needed, and things of that sort, that is O.C.S. business?

A. Yes.

Q. Moving the coal that you burn at the different stations along the line?

A. That is O.C.S. business.

Q. In what way do you make charges for moving empty cars?

A. I think Mr. Gouge that you are possibly misinformed about how the Railways keep their accounts. The Railways keep their accounts by what are called General Accounts. They are divided into a group, all the railway's expenses are set up in groups according to the type of work performed. For instance, a group of expenses for maintaining track, and they are sub-divided into different accounts; and a group for maintaining equipment, and a group for transportation which is the actual cost of operating trains, including of course stations and so on. Those costs are not divided between the cost of O.C.S. and the cost of revenue service, or between the cost of empties or loads. They are just kept as a group. So when you ask me if we keep the cost of moving empties, there is not such a thing.

Q. That gets me back where I want to be. Then when you make a report to the Trade & Commerce Commission, you put in one column Revenue per Train Mile of Freight Handled, and you put in the column next to it Expenses of Operation per Train Mile,

is it true that the expenses of operating are all in that column, all these items that you mentioned that are accumulated, kept separate perhaps but afterwards put in one sum, they are reflected in that \$4.03?

A. There is one error. The revenue per train mile shown in the various publications is the revenue for freight trains or for passenger trains, there is no corresponding expense shown.

. Then there are two other columns, one Total Revenue per Train Mile freight and passenger service, and against that there is an expense account. In that figure there are the total expenses of the railway for everything that happens, maintenance and equipment and everything else.

Q. If you show a column which is either the total expense of all traffic, or of the freight traffic, you have included in that item the movement of empty cars, and ties, and so on?

A. Yes.

Q. If I off-set against the revenue of this train going to Ontario the full amount of the operating expense here we not allowed for taking care of all these other items of expense which you have enumerated, including the movement of empties?

A. You have allowed for the average movement of empties; you have allowed for the movement of empties on the basis of the average system, empty movement, but you have not allowed for the proportion of empties which we claim is applicable against the coal.

BY THE CHAIRMAN - But you have not formulated any plan showing what the cost of that is, according to your answer.

A. As far as the coal movement, the only studies we have made are the old ones before 1931.

Q. They don't show on your accounting system?

A. The costs, no sir.

EXM. BY MR. GOUGE (continued)

Q. When they charge up an operating expense which includes all of these items, I am entitled to have that operating expense the same as the movement of the lumber to Nova Scotia, or any other charge, and having charged myself with the full amount of this

operating expense, we have charged ourselves with all of the expenses to which we are entitled to be charged. That is the point I am trying to show you.

BY COMMISSIONER MORRISON - I take it that your silence agrees with him.

A. I hope you won't take that, Sir.

EXM. BY MR. GOUGE (continued)

Q. Just a word or two about this comment in the beginning which may be relevant, about wages being increased. Have you examined, and I know you have - would you tell the Commission the relative percentage of wages and salaries for 1942 to the gross revenue of the operation?

A. I am sorry Sir, I have not got the figures here.

Q. I have them if I can find them. I have everything so badly mixed up here. If I told you that the percentage of wages and salaries to the gross revenue in 1932 was 39%, would you agree with that, or would you think it was wrong?

A. That seems to me very very low as I recollect it, Sir.

BY THE CHAIRMAN - Where did you get the figures, Mr. Gouge?

A. From Trade and Commerce statistics.

BY THE CHAIRMAN - He says he does not know.

BY MR. GOUGE - Well he said a while ago that the wages had gone up, that these costs were increased, which might be a factor in determining whether we would be reasonably....

BY MR. DYSART - We could file with the Commission a copy of the Order of the National War Labour Board which was put through, on practically all wages of railway employees in the last year.

BY MR. GOUGE - I am not disputing this. What I am trying to show to this Commission is that wages are relative to what you get out of it, and if the wages in 1942 with the percentage of gross earnings, are lower than those in 30 years or since the records have been made, it is pertinent to this inquiry.

BY COMMISSIONER MORRISON - I think I asked yesterday if the labour cost per ton mile was higher in 1944 than in 1936, or lower. Can you tell us that?

A. I am sorry that I can't answer it. I would be glad to have it worked out.

Q. It seems that the National Labour Board have issued wage increases. Will you let us have the comparison of the labour cost per ton mile in the years 1944 and 1936?

A. The labour cost per ton mile.

BY COMMISSIONER McLAURIN - For 1944 as compared with 1936.

BY MR. GOUGE - The table is on page 664, Canada Year Book 1936. No, I am wrong again. The table shows the ratio to the gross earnings, of operating expenses, years 1912 to 1919, and 1919 to 1934. I will not take time to read those.

EXM. OF MR. CURTIS BY MR. GOUGE (continued)

Q. Would you agree that this table properly sets out the ratio of the wages and salaries to the gross earnings during that period?

A. I assume so, I don't know the table.

Q. Now, having looked at the table, would you give that answer to the reporter?

A. Yes sir.

BY THE CHAIRMAN - And what is that ratio?

A. It starts in 1912, to gross earnings was forty two ninety five, and it gradually increased during the period to 1934 until in 1934 it was fifty four twenty nine. I have the same thing in the next Year Book here if I could find it, showing that those have been reduced since 1934. In this Year Book 1944, the last one that is complete, the ratio of operating salaries and wages to the gross earnings...

BY THE CHAIRMAN - Give us the last year.

A. 39.6, that was in 1942. So that actually, according to this report, they have increased some, but at no time, or not now, have they anywhere approached any period prior to the war.

BY THE CHAIRMAN - There is a good answer to that of course.

MR. GOUGE - That is not very important to us, only if it is intended to make a showing that they can't do this because of wages, I don't think it is a point well taken.

(Page 4515 follows)

BY MR. DYSART: We asserted the cost of operation increased. We didn't say the labor costs, which may or may not be one of the incidental factors that enter into it.

BY THE CHAIRMAN: I presume that there are two ways of looking at it. There is no doubt that increased wages have put up the cost of operating, but it has not taken down the ratio that labor as compared with revenue has in the picture.

BY MR. GOUGE: I think I will ask this witness, what do you attribute as the reason for the vast increase in the earning power and revenues of the railway company during the last six years, in view of your statement yesterday that there is no increase in the rates?

A The answer obviously is traffic, sir.

Q Increased loadings, longer trains, isn't that what has done it?

A I wouldn't say longer trains had anything to do with it, but certainly increased traffic, and increased traffic usually produces longer trains.

Q Well, isn't it a term which you railway men use very much, density of traffic?

A Yes sir.

Q Now doesn't that mean heavier loading of cars and longer trains to move?

A It doesn't mean that; it usually results in that. Density of traffic has reference to the amount of traffic, number of tons of freight or the number of trains or what-have-you.

Q Notwithstanding the fact that the rates have not increased, the revenues of the railway companies have enormously increased during the past six years, both gross and net?

A That is correct.

Q And that is due to increase in traffic, heavier loading of cars and longer trains?

A No sir, I say it is due to increase in traffic, period.

BY THE CHAIRMAN: Probably the answer might be, if you are looking for the answer that suits you, that the large trains operating in this country, most of them carry passengers.

BY MR. GOUGE: On that very point the figures here are important.

They show the average loading of trains, which was at one time down around 400 tons per train, increased to 700 tons per train. I am asking if that fact has any bearing upon the earning power of the railways?

A It has no bearing on the gross earning power; it has a bearing on the net. Q I can't understand that. I wish you would explain.

A We have to move all the traffic we can get and it doesn't make any difference whether we move it in 700 ton trains or 800 ton trains. Our gross earnings, of course, are the total revenue we receive, without taking off anything for expenses.

Q Oh, I get your answer now better than I understood it at first. If you operated a train, every train had one car on a train, you would still get the same gross earnings but you wouldn't get the net earnings?

A Yes, that is what I mean.

Q But it would affect your net earnings? Now your net earnings have gone up as well as your gross earnings?

A That is correct.

Q And the amount of loadings on the cars is the thing that does affect that?

A Undoubtedly.

Q Now you criticize these illustrations that I put in this brief on the grounds that many of them show low loadings per car. When you publish a rate isn't that one of the things that is taken into consideration, the maximum loading in tons that can be put into the car?

A I am sorry, sir, I can't answer questions as to what is considered in making a rate.

Q Well, I will ask it to you this way. In making these calculations I have given the railway company credit for a full tonnage load that is required by the rate load, is that correct?

A I would assume so.

- Q Then if the rate is published by the company , inviting transportation from the public on a basis of so many tons per car, it is not unfair to calculate what the earnings would be on a basis of your own tonnage requirements, is it?
- A If you are talking about earnings per car, that is fair enough.
- Q Well, earnings per car have a lot to do with earnings per train, don't they?
- A They have a bearing on it, yes.
- Q You would not say that in any of these calculations I have purposely quoted a loading tonnage that is below that required by the railroad?
- A That I don't know. I have not checked it off.
- Q Now I want to get back to one more rate on this returning of empties. The first illustration I used was the oil rate from Calgary. I gave you credit there for an earning of \$4.79 per train. Would you say that that should be cut in half and made \$2.39½?
- A I think I would have to answer that, I don't know what the operating conditions are in that particular territory, therefore I can't ---
- Q That hasn't anything to do with this. I am asking you this on the question of returning the empties. You know and I know and everybody knows you return those empties 100%?
- A Yes, but you are talking about ---
- Q Now then, if that is so, then your earnings there should be divided by two?
- A No sir.
- Q In our train you say we should be entitled to only half of what we earn because empties have to be returned. Does that apply to the oil train?
- A Pardon me, sir, I didn't make that statement at all.

BY COMMISSIONER MORRISON: Let's get clear about this. I have certainly been under the impression that, on the top of page 3, you were asked a question by Mr. Dysart and you said that

that figure of \$4.62 should be \$2.31.

A That is correct.

Q Now as I understand Mr. Gouge's question, he is asking you if that \$4.79 should be divided by two to arrive at the true figure. Is that your question, Mr. Gouge?

BY MR. GOUGE: That is the question. Now you said that you weren't acquainted with the operating conditions there. That is your answer?

A Yes sir.

Q Now you made it your business to get acquainted with the operating conditions on the other and gave a very specific answer.

A The answer is I know the operating conditions on the coal route; I have studied it for the purpose of finding cost, and I feel and am satisfied that in order to move coal we would have not only the train miles, have to move crews and locomotives eastward with the coal, but we would have to move those crews and locomotives westward without any traffic, although they might have to handle the empties of the coal train. I say that in this case I don't know whether those crews would have to go back or not; they might be able to use them for other traffic. I do not know that without studying it individually.

Q The question is, you know those cars go back empty. They are oil tankers, unsuitable for any other traffic. They do move back empty?

A Yes sir.

Q Then in that case would you divide the revenue you have recovered from this train by two and say that you only got for that \$2.40? That is the question.

A The answer is that I can't tell without a study. I know that some of those train miles, maybe all of them, are going to have to go back, but how much I don't know.

Q You know how much in this case. We are assuming that all of these go back empty.

A When you say empty, what do you mean?

Q I mean empty tank cars from Regina to Calgary.

A Again I can't tell you, sir, because we don't necessarily move empty cars. You may be able to send those empty cars back on a train that is carrying freight.

Q Oh yes, and the same way from Ontario with coal cars that go back on a train carrying freight?

A Except that we know that on the traffic from Ontario we have no freight to send.

BY THE CHAIRMAN: Oh no. There is certainly sometimes you have some freight back, and with the same opportunity of attaching them to another train.

BY MR. GOUGE: I would like to get an answer to my question, because if I have credited them with too much on this oil train I would like to know it. Is it necessary to find the actual revenue you have got to divide it by two, that is the question.

A The answer is, sir, I can't tell you. I would like to point out, you see, we are talking about revenue, not costs.

BY THE CHAIRMAN: Well, you undertook to criticize Mr. Gouge's idea of this other matter on page 3, where you said it would have to be divided by two.

A Yes sir. Well, there he was talking about revenue, not costs.

Q Well, he is talking about costs on this 562 miles on the train load.

A He is still talking about revenue.

BY MR. GOUGE: That is what you divided by two for us, was the revenue, not the costs.

A That is correct.

Q Well, here is the revenue derived from the movement of a train where we know the empties all went back. I am asking you if it is proper to divide that by two?

A My answer is I can't tell you without studying the individual case.

BY THE CHAIRMAN: If they have all to go back--carrying coal from Alberta into Ontario you premised your ideas by saying they all go back?

A Yes sir.

Q If they all go back shouldn't there be the same computation as you made in the revenue east and west with coal and east and west with oil?

A I don't seem to be able to make myself clear, sir, on this question of the difference between empty cars and trains.

Q I know. There is the whole trouble about the thing. You are not able to say whether those cars--and I don't blame you for that at all--whether the cars that carry oil go back, and your best answer is if they do go back they are attached to another train. That doesn't make very much difference to the question of costs. The same thing could happen going back from Ontario; they might be taken back by other trains.

BY MR. FRAWLEY: Would it help you if you simply made the assumption that the Chairman put to you? Assume that the crude oil cars, after they get to the refinery at Regina, go back to Calgary empty. Would you not make the same adjustment?

A May I say on the assumption that if the conditions are the same ---

BY THE CHAIRMAN: That is the very question he is asking you. On the assumption that they go back in the same proportion as the coal cars do, isn't Mr. Gouge putting a fair proposition to you that that should be divided by two?

A Not necessarily, sir.

Q Why?

A Because if you visualize what happens. You take a train of oil from Calgary to Regina. Now that train has got to go back. Now it will take empties, yes, and that is chargeable against the oil movement. If it has nothing else to haul, the train is chargeable against the oil movement, but if on the other hand you are able to put 10 cars of something else on that train, then obviously those cars have got to bear

their proportion, and a lesser amount is charged against the oil movement.

Q That is not the assumption. Supposing they all go back, all empty, the same locomotive, the same cars, the same train?

A Then it is 100 per cent. Then you divide by two.

BY THE CHAIRMAN: Certainly. That is all he is asking you.

BY MR. GOUGE: Have you made any calculations, Mr. Curtis, in respect to this rate on commodities from Winnipeg to Saskatoon? I wish I could afford the Commission an opportunity to look at the list here. This is page 11. It covers practically everything of a wholesale nature that is sold in the city of Winnipeg. Have you made any calculation or inspection of that rate to determine whether or not the rate pays expenses?

A I have not, sir.

Q Would it take you very long to do that?

A Well, I would have to have several weeks or a month.

Q I asked you a while ago if it was the intention at any time of the railways to make a rate which did not cover the expenses?

A I don't know anything about rates. I hope they don't. Didn't we do that with the coal rates?

Q No sir. I will answer that directly and specifically, you did not. Dealing with this particular rate here, don't you think that loading a freight train with five tons of commodities to ship a distance of over 400 miles is a waste of traffic equipment and transportation facilities?

A You mean freight cars?

Q Well, transportation facilities. If you have a traffic of only five tons in a freight car wouldn't you call that a waste of transportation facilities?

A Well, I don't know the conditions. It would certainly seem that way.

Q I am going to ask you a question for an opinion. I will ask you if the railways are making rates of that nature for that

distance for the purpose of competing with trucks and getting small amounts of business, wouldn't you think it would be better business to try to get train load rates of heavy traffic for long distances?

A I think I will have to answer again, I don't know anything about rates.

BY THE CHAIRMAN: That is not a rate, that is business.

BY MR. GOUGE: Wouldn't you call that fishing in the ocean for minnows when there is a lot of tarpon and tuna fish to be caught?

BY COMMISSIONER MORRISON: Perhaps if you leave the question of rates out the witness could answer your question. He does know something about revenue. Just put that question, if that would produce that kind of revenue it would be good business.

BY THE CHAIRMAN: Take the question that way. What do you think about it?

BY MR. GOUGE: I think, Mr. Frawley, you can have the witness now.

EXAMINED By Mr. Dysart.

Q There was a reference to the increased revenue which the railways have derived from the handling of traffic throughout the last six or eight years, and I think you have admitted that it was the increased traffic that produced the increased revenue. Now isn't it a fact that the large increase in the railways' revenue is due more to the change in the nature of the traffic rather than the additional volume? In other words, weren't the railways carrying more high class traffic which in accordance with existing tariffs could be charged at a higher rate and thus produced greater revenue than in the years before?

A That undoubtedly had a bearing on the situation.

Q In other words, you were carrying more traffic and traffic on which the rates were higher?

BY THE CHAIRMAN: Wasn't the most of your transportation from west to east, to Halifax, the ports?

BY MR. DYSART: The great bulk of it, yes. But they were shipments of commodities that bore a high rate.

BY THE CHAIRMAN: On a carload of cars, big machinery going over to England, surely a car taken from one point to another wouldn't carry a higher freight rate than coal?

BY MR. DYSART: I can't answer that. I would suggest that that situation does prevail, because one of the main factors that enters into the making of a freight rate--I am not attempting to testify as I am not a freight rate expert--but I understand is the value of an article.

11.55 A.M. - COMMISSION ADJOURNED UNTIL TUESDAY,
OCTOBER 9, 1945, at 10.00 A.M.

Mr. Dysart stated that it would be impossible for him, Mr. Knowles or Mr. Jefferson to be present on that date. After considerable discussion it was left with Mr. Fawley to arrange a date, convenient to all parties, for the examination of Mr. Knowles and Mr. Jefferson.

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Canada, Coal
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ROYAL COMMISSION ON COAL

Ottawa, Ont., October 9th, 1945.

VOLUME XL

WITNESSES:

C. E. Stockdill.....Pages 4524 - 4567
M. J. Patton..... 4567 - 4637

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EXHIBITS:

No. 228 - Submission of Canadian Pacific
Railway..... 4524

No. 229 - Submission of Toronto Coal
Exchange..... 4567

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ROYAL COMMISSION ON COAL

Ottawa, Ont.,
Oct. 9, 1945.

The Royal Commission on Coal resumed its hearings in the Courtroom of the Board of Transport Commissioners, Ottawa, Ont., on Tuesday, October 9th, 1945, at 10.00 A.M.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman

Hon. Mr. Justice C. C. McLaurin, Commissioner

J. J. Frawley, K.C., Commission Counsel

Robert D. Howland, Secretary.

BY THE CHAIRMAN: We are sorry, gentlemen, to announce that Mr. Angus Morrison, through business it is absolutely necessary for him to look after, has been called to the West, to Calgary, and will not be back perhaps for two or three days.

BY MR. FRAWLEY: Mr. C. E. Stockdill.

MR. STOCKDILL takes stand.

BY MR. FRAWLEY: Mr. Stockdill, you are assistant to the vice-president of the Canadian Pacific Railway Company?

A Yes sir.

Q And you have had, during the course of your association with the railway company, considerable to do with the buying of coal?

A Yes sir.

Q And you are here this morning to present the company's submission on the question of coal purchases to the Commission?

A Yes.

Exhibit 228 - Submission of the Canadian Pacific
Railway Company

MR. STOCKDILL proceeds to read Exhibit 228:

Mr. Chairman and Members of the Commission:

The Canadian Pacific Railway Company, as the pioneer trans-continental railway system, has long been associated with the Canadian coal industry, particularly in Western Canada, where it is the largest consumer of Canadian coal.

From approximately 1910 onward the Company's policy has been to enlarge progressively both the tonnage consumed and the area of its operations in which Canadian coal is utilized. As a result, in normal times, coal mined in the Dominion is used exclusively on the Company's rail lines throughout Canada with the exception generally of Ontario and Quebec. In these provinces, United States coal is used, except for a certain tonnage of Canadian coal which moved all rail from Alberta to Ontario under subvention, and Nova Scotia coal transported by water to Quebec points.

The substitution of substantial quantities of Canadian coal for that of the United States commenced on the Company's lines in Western Canada about 1920. The success which attended this policy, which was developed entirely by the Company in co-operation with Western coal operators, and without any form of Government aid other than for subvention assistance on a limited amount of Western coal consumed between Kenora and Fort William, has been most encouraging.

This programme resulted in the Company, prior to 1939, using entirely coal mined in Western Canada in its locomotives and stationary boiler plants from the head of the Great Lakes to the Pacific Coast, with the exception of certain mileage in the mountain and forest areas of British Columbia and Western Alberta where oil-burning locomotives are operated.

This policy has been duplicated in the case of the Company's operations in New Brunswick and Nova Scotia. While rail mileage is naturally limited by the size of the area served in these coastal provinces, particularly when compared with the extensive Canadian Pacific mileage in the West, locally mined

coal has been the only fuel used there since the commencement of the Company's operations.

The provinces of Ontario and Quebec offer geographically a natural market to be supplied efficiently and economically with coal from adjacent producing mines in the United States. The Canadian Pacific, along with many other important private and public institutions in these two provinces, has accordingly long availed itself of United States coal in this area.

At the same time the Company has, however, used quantities of Nova Scotia water-borne coal at Quebec, Three River and Montreal, and, through the aid of rail transportation subventions, it has successfully utilized Western Canadian coal in recent years as far East as White River in Ontario. The further use of Canadian coal on lines in central Canada depends on the quality and cost of such coal as may be available.

COAL CONSUMED IN WESTERN CANADA:

For some considerable time after the construction of the Company's transcontinental line, it was necessary to rely almost entirely on United States coal for locomotive purposes owing to the lack of any substantial coal mining industry in Canada's western provinces. Agriculture was naturally the basis of the initial Western development and the opening of coal mines had to await the formation of a satisfactory railway and commercial coal market.

In this connection it is an established fact that some of Canada's most important coal mining properties were developed in conjunction with the construction of the Company's rail lines. In 1881 the first coal seam was opened in the Lethbridge district and this fuel was used in the Company's locomotives. In 1882 coal mines were opened at Canmore and this coal was utilized by the Company in railroad construction work in the mountains. Finally the mines in the Crow's Nest Pass region, now the largest source of coal supplies for the Company, were opened in 1896. It is therefore clear that the Com-

pany and the coal mining industry in Western Canada have been closely association for apprxomately half a century.

This long-standing relationship has produced benefits to both parties. One of the most important essentials in the operation of a railway is to be able to secure an unfailing and comparatively extensive supply of coal of suitable quality and price not only for locomotive purposes but for many other varied railway needs. That this has been possible is due largely to the co-operation which has existed over many years between the Company and Western coal producers located adjacent to its rail lines.

In 1920 the Company imported 813,000 tons of United States coal for use on its Western lines. The balance of its coal requirements for this region, amounting to 1,447,000 tons, was supplied from mines in Western Canada. The inability of these mines to supply a larger portion of the Company's requirements was due primarily to the disposal of a considerable amount of Western coal from Fernie and Michel mines to the Great Northern Railway in the United States.

However, after 1920, changing conditions enabled the Western coal producers to supply an increasing amount of the Company's coal requirements. As a result, the Company's purchases of United States coal progressively decreased until they reached only 87,235 tons in 1938. Then during 1931, 1940, and 1941, the Company did not import any United States coal for use on its Western lines.

Due to the Government's wartime fuel policy, it was necessary, in recent years, to resume importation of United States coal into Western Canada. These imports amounted to 200,259 tons in 1942, 1,049,816 tons in 1943, and 1,131,253 tons in 1944. While the Company fully realizes the critical conditions of supply which made this policy necessary, it intends, at the earliest possible moment, to return to its previous practice of using solely Canadian coal on its Western lines, providing it

continues to be economically feasible. In this connection the Company has agreed with the Coal Controller to take 2,100,000 tons from Western mines during the current coal year ending March 31, 1946.

This record of utilizing Western coal to the maximum has been made possible by the joint efforts of the Company and the coal producers. A number of the mines have invested substantial new capital in modern equipment and preparation plants which increased output and improved the quality of the product. Likewise the Company has encouraged the operators to prepare a better product because, with improved locomotive design, and particularly the installation of automatic stokers, The Company's specifications for coal have become more rigid.

In an endeavor to meet this situation certain of the producers erected coal cleaning plants. While the Company fully appreciates the efforts being made by the operators to improve the preparation of coal, it is suggested that there still remains a high percentage of fines in locomotive coal, too much of which passes unburned through the stack. It is hoped that future developments in the methods of mining friable coal will eventually overcome this problem.

Western Coal Purchased for Use on Western Lines, 1935-1944

<u>Year</u>	<u>Tons</u>	<u>Year</u>	<u>Tons</u>
1935.....	1,205,562	1940.....	1,693,702
1936.....	1,219,011	1941.....	2,179,549
1937.....	1,239,701	1942.....	2,003,933
1938.....	1,187,667	1943.....	1,445,584
1939.....	1,376,643	1944.....	1,896,123

These figures amply support the statement made earlier that, after making allowance for considerable United States coal purchased in 1943 and 1944 because of wartime conditions, the Company has steadily increased its consumption of Western mined coal.

During the period 1920-1944 the Company, on its Western lines, purchased a total of 35,472,881 tons of coal from mines in Western Canada, and 8,207,000 tons of United States coal, a ratio in favor of Canadian coal of over four tons to one.

In addition the Company has been able to replace formerly imported Pennsylvania anthracite with Canadian briquettes for car heating and other miscellaneous purposes.

COAL CONSUMED IN QUEBEC AND ONTARIO:

The position of central Canada in relation to the adjacent coal producing areas of the United States, together with extensive inter-connecting transport services, has produced a heavy traffic flow between the two countries, of which United States coal is one of the major items.

As a result the Company has since the commencement of operations in these provinces, largely used coal from United States mines. This has been a normal development because the United States is the logical source of supply in the absence of any substantial quantity of Canadian coal being available for railway consumption in that area.

While the long term trend has been to use United States coal in these two provinces for the reasons mentioned, certain changes in the source of Company supplies have taken place in recent years which have brought about a larger utilization of Canadian coal in this region. As a result of transportation subventions on Alberta coal moving East into Ontario, and payment of the price differential between the laid-down cost of Nova Scotia and United States coal, the competitive price situation was equalized in part of this area.

BY MR. FRAWLEY: Mr. Stockdill, you say "payment of the price differential between the laid-down cost of Nova Scotia and United States coal." That was just a subvention?

MR. STOCKDILL: Practically.

Q I was wondering whether you were drawing any distinction, because you speak of "transportation subventions on Alberta coal" and "payment of the price differential between the laid-down cost of Nova Scotia and United States coal?"

MR. STOCKDILL: The subvention was a fixed maximum payment, as I understand. The other, the Nova Scotia coal, it was

based on costs.

BY MR. FRAWLEY: That's right, but it was a subvention, freight subvention?

MR. STOCKDILL: A subvention in effect, yes. (Continues breif):

The following summary provides data on the total amount of United States coal purchased by the Company for use in Quebec and Ontario from 1935 to 1944, the ports of entry for this fuel, and the coal districts in the United States from which this supply was purchased:

U.S. Coal Purchased for Use in Quebec and Ontario

<u>Year</u>	<u>Tons</u>	<u>Year</u>	<u>Tons</u>
1935	932,000	1940	1,179,000
1936	1,094,000	1941	1,810,000
1937	1,064,000	1942	1,785,000
1938	953,000	1943	1,567,000
1939	1,031,000	1944	2,446,000

Coal from the United States used by the Company in the Quebec district is transported through two main traffic gateways. It is brought in all-rail throughout the year via Deson and Adirondack Junctions to Farnham and Montreal, where it is distributed to stations in the central and eastern areas of the district. Coal for the western area of the district in summer is brought in from Sodus Point and Oswego, N.Y., by water across Lake Ontario to Prescott. During the winter season, when lake navigation is closed, the coal moves all-rail from Ogdensburg, N.Y., to Prescott, for distribution.

In the case of Central Ontario, coal from United States mines moves all-rail throughtout the year via the Windsor gateway for the exclusive use of Company operations between Windsor and Chatham. Requirements for the balance of the Central Ontario region are met during the navigation season by United States coal ferried across Lake Erie to Port Burwell, and, during the winter season, by the United States coal purchased from commercial dealers' docks at Toronto and Port Burwell.

The Company's lines in Northern Ontario are supplied with United States coal moving by water from various docks on Lake Erie to Little Current and Britt on Georgian Bay. Prior to the war there was a considerable quantity of United States coal shipped yearly by water to the Company's coal dock at Jack Fish on Lake Superior, east of Fort William, also for use in Northern Ontario. This movement was discontinued in 1940 due to the Company utilizing western coal as far east as White River, a programme which continued until 1942. Since that time, on orders of the Coal Controller at Ottawa, United States coal has been supplied owing to coal from Western Canada not being available.

BY MR. FRAWLEY: That is your own dock at Port Burwell, is it not?

MR. STOCKDILL: It is not a dock; it is just a transfer point of the ferry coming across, transferring from Ashtabula at Port Burwell. (Continues brief):

The areas from which United States coal is secured also vary widely, the principal sources of supply being from Nos. 3 and 6 districts of Northern West Virginia, Nos. 1 and 2 districts of Pennsylvania and No. 4 district of Ohio. The only exceptions to these normal supply sources have been the acquisition of United States coal during war years from Nos. 9 and 10 districts of West Kentucky and Southern Illinois.

The Company, in its purchase of United States coal, buys through a number of Canadian distributors in Montreal and Toronto. The suitability of the coal, and the nature of the supply routes, are important factors as the Company's coal from the United States comes from approximately fifty mines located over a wide area. The coal is purchased F.O.B. mine and the final laid-down price in Canada includes water and/or rail freight,, charges, exchange, and duty. Contracts are based on a yearly basis and monthly orders are given to each distributor for tonnage to meet current requirements. In normal times the Company's purchase of United States coal is confined entirely to prepared

sizes in contrast to mine run coal supplied in Canada.

Coal from Nova Scotia has been used by the Company at Quebec, Three Rivers, and Montreal and this was received by water from Sydney. The use of Western coal in the northern region of Ontario as a result of subvention assistance necessitated hauling this coal from Michel, British Columbia, to White River, Ontario, a distance of 1,541 miles, thus making it one of the longest coal hauls on the continent.

Coal Purchased in Canada for Use in Ontario and Quebec,
1935 - 1944 x

<u>Year</u>	<u>Tons</u>	<u>Year</u>	<u>Tons</u>
1935	169,419	1940	382,015
1936	217,017	1941	552,595
1937	186,137	1942	409,456
1938	204,086	1943	51,844
1939	311,806	1944	9,715

x Coal from Nova Scotia and Western mines.

During the 25-year period 1920-1944 the Company purchased 35,460,000 tons of United States coal for use on its lines extending east of Fort William (Appendix B). In these same years a total of 4,484,000 tons of Canadian coal was also purchased for use in this region (Appendix A).

While the mileage of routes operated by the Company in Quebec and Ontario is somewhat smaller than for a comparable physical area served in the western provinces, the density of traffic, and the frequency of train services in heavily populated and industrialized central Canada, are the controlling factors in the relatively heavy per mile consumption of coal in this region.

COAL CONSUMED IN NEW BRUNSWICK AND NOVA SCOTIA:

Over a long period of years a considerable tonnage of Nova Scotia coal has been purchased, as well as a fairly substantial quantity from the Minto field in New Brunswick, for use on the Company's lines in New Brunswick and Nova Scotia.

The general practice has been to use coal mined at Sydney, Cape Breton, for main line operations in New Brunswick between Saint John and McAdam, and, in normal times, this fuel moved by water from Sydney to West Saint John.

While Nova Scotia coal was at one time consumed entirely on the main line from Saint John to Montreal, it was later found more advantageous, from both the price and supply standpoint, to use United States coal westerly from McAdam on the portion of the line running through the State of Maine to Montreal.

The change to United States coal on this route was made after World War I when there existed a relatively long period when it was impossible to secure Nova Scotia coal in this territory because of lack of supply. The Company was therefore forced to adapt its supply and operating technique to the United States product and it has proved satisfactory. However, even under the present conditions, engines running westbound out of McAdam are using Canadian coal as far west as Brownville, Me.

Coal mined at Springhill, Nova Scotia, is used entirely on the Dominion Atlantic Railway, a Canadian Pacific subsidiary, from Halifax to Yarmouth and from Truro to Windsor, as well as in stationary boiler plants.

Coal Purchased for Use in Nova Scotia and New Brunswick
1935-1944

<u>Year</u>	<u>Tons</u>	<u>Year</u>	<u>Tons</u>
1935	86,125	1940	109,633
1936	94,526	1941	159,483
1937	85,640	1942	123,661
1938	78,140	1943	154,323
1939	94,937	1944	129,730

Coal mined at Minto is used exclusively on the Company's branch lines in New Brunswick, but, due to its relatively low B.T.U. value, and high ash content, it has been found impossible to use it in main line heavy traffic operations. While the Company appreciates the operating difficulties at Minto, it is suggested that cleaner preparation and sizing of the coal, together with more orderly deliveries, would materially assist the Company in a better utilization of this product.

Coal Purchased for Use in New Brunswick, 1935-1944

<u>Year</u>	<u>Tons</u>	<u>Year</u>	<u>Tons</u>
1935	35,774	1940	43,150
1936	40,885	1941	34,149
1937	38,012	1942	39,459
1938	37,332	1943	26,006
1939	37,352	1944	29,633

The consumption of coal mined in New Brunswick and Nova Scotia is limited by the mileage of the Company's routes in this region which approximates twenty-five per cent of the total rail mileage in the Maritime Provinces, and the relatively light traffic density on branch lines operated by the Company in New Brunswick.

STATIONARY BOILER PLANT OPERATIONS:

The general policy of substituting Western coal for imported fuel for locomotive purposes has been followed in the case of the Company's coal for stationary boiler plants on its Western lines. In fact, in this particular regard, the Company has long been recognized as a pioneer in the development of burning equipment providing for the utilization of screenings or residue from commercial coal sizes, types of coal which formerly found no market.

In 1921 the Company's stationary boiler plants on its Western lines, with few exceptions, consumed bituminous coal from United States and Western Canadian mines, with relatively high costs. In that year there was inaugurated a policy designed to reduce costs and assist the lignite industry, which was also entitled to the Company's sympathetic consideration, in finding a market for its product. This scheme consisted of zoning the Western Lines territory with the objective of consuming lignite coal within economical hauling distances from the various local mines.

As a result of this policy all of the Company's stationary heating plants from Kenora to Regina were progressively altered both as to design and burning equipment for the use of Saskatchewan lignite. From Moose Jaw to Calgary the plants were gradually equipped for the use of Alberta lignite, particularly

from the Drumheller, Lethbridge, and Medicine Hat fields. Plants on the northern line, comprising Edmonton and as far east as Saskatoon, were supplied from the Edmonton field.

The development of this programme was largely based on the availability of suitable burning equipment and the results of research with regard to various kinds of coal. The Company has for many years been closely associated with experimental and development work on plant design and combustion equipment leading to the present successful utilization of low rank coal. It can now be stated that the Company is in a position to utilize in its stationary plants on Western Lines practically any type of fuel containing a reasonable percentage of combustible matter.

MR. STOCKDILL: I might interject there, Mr. Chairman, that as a result of the experiments, and the success that we had in that respect, many of the industrial plants have been following the same policy, so that it has been a very beneficial thing to the lignite mines in the West. (Continues brief):

Since 1921 the Company, as a result of the development of this policy, has been able to quadruple its use of lignite coal. In 1921 the Company burned 33,363 tons of lignite coal compared with 141,765 tons in 1944 (Appendix C). Over the same period there was an approximate corresponding decline in the amount of United States and Western Canadian bituminous coal used in stationary plants. Coal of this type decreased from 187,007 tons in 1921 to 42,301 tons in 1944. This general substitution of local lignite fuels for bituminous coal has helped materially in developing a profitable market for this type of ^{Western} Canadian fuel.

COAL PURCHASING POLICY:

For years the Company has purchased from 65 to 80% of the total output of the bituminous mines in the Crow's Nest Pass and Canmore areas to meet its requirements on its Western Lines (Appendix D).

The general policy of the Company has been to make its coal contracts with a view to providing for an equitable amount of production and employment in the various mines producing the Company's requirements. This has resulted in the Company paying higher prices for its coal than would have been the case had the contracts been awarded on a strictly competitive basis. If, on the other hand, the Company had followed the policy of making contracts solely on a basis of the lowest prices quoted, certain mines would have been forced out of production, and communities dependent upon them would have disappeared.

The policy of the Company involves the preparation of an estimate of annual requirements based on the previous year's consumption and an allowance for changing traffic conditions. On completion of the yearly estimate, the figures are supplied to the Western bituminous coal operators, who then tender on whatever portion of the total tonnage they are desirous of supplying. When all tenders are received, relevant facts are studied and contracts are awarded.

The Company's entire coal requirements are purchased on the open market as it has no stock or other ownership in any bituminous coal mine in Canada or the United States. The Company has an interest in Lethbridge Collieries but the production of sub-bituminous coal from this mine is in no way related to the market for steam railway coal.

The variation in the volume of the Company's traffic makes it impossible to consider purchasing coal on a fixed annual tonnage basis. In Western Canada, because of the primary importance of wheat production, traffic handled naturally shows wide variations due to fluctuations in crop yields and the percentage of the total crop moving into the export market.

It is clear that the Company cannot afford to buy more coal than it can burn in its operations. However, the Company has regularized its coal purchases to the point where estimated minimum total requirements are now allotted weekly in relation

to traffic movements and storage facilities. This policy of uniform weekly shipments is designed with a view to assisting the mines to maintain regular employment schedules.

COAL ECONOMIES:

In outlining the history of the Company's coal purchases over an extended period, it is evident that, while mining operations and coal preparation have progressively improved, the Company has likewise been keeping pace by introducing new mechanical devices and burning equipment. As a result of this trend there has been a steady reduction in the consumption of coal as measured in terms of work performed.

Pounds of Fuel per 1,000 Actual Gross Tons Handled One Mile

<u>Year</u>	<u>Freight Trains</u>	<u>Passenger Trains</u>
1920	148	262
1925	120	225
1930	113	179
1935	109	185
1940	97	181
1944	105	182

The foregoing shows that between 1920 and 1944 there has been a steady decline in pounds of coal used to haul 1,000 gross tons one mile in both freight and passenger train operations (Appendix E). This condition has been due largely to improved locomotive design, the installation of other modern railway appliances, and to a better prepared coal.

The trend was reversed slightly in 1942-44 because of abnormal wartime operating and traffic conditions, unusually severe winter weather conditions in 1943-44, and the wartime necessity of burning a certain volume of coal below the established Company standard.

However, with the return of normal conditions, it is anticipated that the long-term trend of fuel savings will be re-established and improved, particularly as the Company must constantly economize in fuel consumption in order to offset increased fuel costs. Naturally fuel economy reduces the tonnage of coal consumed but the Company is constantly improving its

operating efficiency in this respect in order to reduce costs and to meet competitive transport conditions.

FUEL OIL CONSUMPTION:

The Company introduced the use of fuel oil in its locomotives in 1912 because of an amendment to the Railway Act which stated that all fires occurring within a specified distance of the right-of-way would be the responsibility of the railway. As a result of this ruling, and the heavy financial responsibility which might have to be assumed by the Company, it was decided to convert its motive power in the mountain and forest areas to oil.

Oil is used exclusively on the main line between Field and Kamloops and also on secondary lines such as the Lake Windermere subdivision and on the Company's subsidiary, the Esquimalt and Nanaimo Railway, on Vancouver Island. Oil is consumed to a limited extent along with coal, between Calgary and Field and Kamloops and Vancouver on the main line, and likewise both oil and coal are burned on the Kettle Valley line between Vancouver and Penticton. (See map in Appendix F).

While particular emphasis has been directed to the use of oil by the railways in the mountain and forest areas, the consumption of oil by the rail carriers is considerably less than the oil used for industrial and domestic purposes and this market for it is expanding. The sources of the Company's oil supply have undergone considerable change with the development of refineries at Calgary, Moose Jaw, and Regina and the entire supply for the main line as far west as Revelstoke presently comes from these Canadian plants in place of the oil formerly imported. It therefore seems reasonable to assume that if the railways did not purchase this oil from Canadian refineries it would be sold to other consumers and the same quantity of coal would be displaced.

Controversies regarding the use of oil by the railways in British Columbia have continued over a long period. A number of investigations have been held and evidence has proved

that the railways can operate more efficiently and safely with oil in the mountain and forest regions. The Canadian railways are not alone in their use of oil in operations in such areas as all United States railroads operating through the mountains to the Pacific Coast use fuel oil or electric power.

While the Company is using oil-burning locomotives in limited areas for the reasons mentioned, it should be made clear that the Canadian Pacific, along with major United States roads serving coal producing areas, is following a developmental policy of improving the design and efficiency of coal-burning locomotives. While there is a general trend toward diesel power in road service on many United States roads, especially on lines operating west of Chicago, this Company at present has no plans for adopting that type of equipment in such service. Meanwhile the Company is fully informed of the revolutionary changes taking place in the construction and operation of coal-burning locomotives, such as the steam-turbine and turbo-electric, and it will adapt further improvements wherever possible to its existing type of motive power.

SUMMARY:

Bituminous coal mining and railway transportation in Canada are inseparably connected and this reciprocal relationship, to a certain extent unique in Canadian industry, is due to the following considerations:

First, the historical development of mines adjacent to railway lines which has resulted in these communities being largely dependent on railway operations and coal consumption for their existence.

Second, the railways constitute the nation's largest consumers of coal, and particularly is this the case in Alberta where the railways purchase approximately 75% of the entire output of the steam coal mines of that province.

Third, coal is one of the major factors in railway operating expense, and it is the most important single product, on

a value basis, purchased annually by the carriers.

During the five-year period 1939-43 the railways consumed 39% of total bituminous coal mined in Canada. The predominant position held by the railways in the coal market is shown by the fact that in these same years the pulp and paper industry, the next most important as a coal purchaser to the railways, consumed annually about 7% of Canadian and imported bituminous coal. Likewise all manufacturing industries in Canada burned approximately 25% of the total coal available in these years, a percentage somewhat below that for the railways alone.

Consumption of Canadian and United States Coal by Canadian
Railways x

<u>Year</u>	Canadian Coal Used by Railways	United States Coal Used by Railways	Total Railway Coal Consumption
	<u>Tons</u>	<u>Tons</u>	<u>Tons</u>
1943	4,338,000	8,255,000	12,593,000
1942	4,983,000	5,945,000	10,928,000
1941	5,287,000	4,658,000	9,945,000
1940	4,944,000	3,322,000	8,266,000
1939	<u>4,471,000</u>	<u>2,546,000</u>	<u>7,017,000</u>
Total	24,023,000	24,726,000	48,749,000

x Transportation and Public Utilities Branch, Dominion Bureau of Statistics

The direct effect of traffic fluctuations on the consumption of coal by the railways is also evident. In 1933, at the depth of the depression, the Canadian railways consumed approximately 5,500,000 tons of coal. In 1943, at the near peak of record war traffic, the carriers burned approximately 12,600,000 tons.

The statistics provided indicate clearly the overwhelming importance of the railways as consumers of coal. Admittedly substantial imports of United States coal for railway purposes were made under instructions of the Coal Controller at Ottawa to meet wartime emergency supply conditions from 1942 onward. However, the elimination in peacetime, either whole or in part,

of the present excess in the supply of United States coal over the normal level of imports, should result in Canada's coal mines again becoming the major suppliers of coal to the Canadian railways.

Coal is one of the important classes of bulk freight hauled by the railways. While it constitutes a large movement on the basis of tonnage, it is considerably less important in terms of revenue as the heaviest traffic comprises United States coal moving relatively short distances from lake and river points into Ontario and Quebec. Also, in the case of coal traffic in Western Canada, the greater portion consists of coal purchased by the railways for their own use moving on a non-revenue basis.

For example, in the five-year period, 1939-43, grain and grain products accounted for 36% of the Company's total revenue ton miles while in the same years bituminous coal amounted to only 7%. This fact is important because it has been indicated in certain briefs filed with the Commission that coal, particularly in the Western provinces, is equally important with grain as a revenue producer for the railways.

The statistics following show the relative position of bituminous coal and grain traffic moved by the Canadian Pacific Railway on a revenue ton mile basis for 1939-43.

Canadian Pacific Railway Company

Revenue Ton Miles (000's)

<u>Year</u>	<u>Grain and Grain Products</u>	<u>Bituminous Coal</u>
1943	8,861,091	1,762,917
1942	6,828,724	1,695,213
1941	8,198,226	1,355,435
1940	5,773,372	1,050,766
1939	6,196,692	939,804

Coal is one of the largest items of operating expense on the nation's railways. Not only does the total annual coal bill amount to a large figure but even minor variations in cost per ton have a direct effect on railway operating expenses

because of the volume of coal purchased. Under these conditions careful consideration must be given to the quality and price factors involved in the purchase of this important product in order to maintain railway operating expenses on as economical a level as possible.

Cost of Fuel Consumed by Locomotives
on Canada's Railways x

<u>Year</u>	<u>Cost</u>
1943	\$69,812,142
1942	54,633,803
1941	43,842,100
1940	34,996,659
1939	30,493,058

x Transportation and Public Utilities Branch, Dominion Bureau of Statistics

CONCLUSION:

The ability of the Company in the postwar period to consume heavy annual coal tonnage is related, in a large measure, to general traffic and business conditions. It is clear that a period of economic prosperity within Canada, and an expanding export trade abroad, will produce considerable railway traffic.

At the same time, due to substantial wartime increases in railway wages and material costs, at a period when rail rates have remained frozen, the carriers will be faced with the necessity of taking corrective measures, as present heavy traffic subsidizes, if they are to maintain existing wage scales and to pay present prices for materials. While railway rates have remained stationary during the war years, unit labour costs have increased 25%, steel rails 23%, cross ties 90%, and the price of coal 35%. It is calculated that these increases added approximately \$43,000,000 to the Company's operating expenses in 1944.

A correction of this situation is necessary if the railway industry is to play its full part in general postwar rehabilitation. It is likewise clear, because of the close relationship

between the carriers and the bituminous coal mines in Canada, that profitable railway operations will provide more satisfactory conditions for the marketing of the maximum tonnage of Canadian railway coal.

While admitting the difficulties inherent in the wider marketing of coal mined in Canada, the Company nevertheless will continue to promote the widest possible use of Canadian coal in its operations. This policy is based on the belief that the Canadian Pacific, as a national institution, should render every assistance consistently possible to the maximum development of the Canadian economy as a whole, of which the coal industry is a vital part. In support of this policy the Company has purchased a total of 40,000,000 tons of Canadian coal during 1920-1944.

At the same time, however, the Company does not consider that it is the responsibility of a private corporation to assume the financial burden of utilizing this product in regions where the natural law of supply and demand makes its consumption both costly and uneconomic in competition with imported coal.

Should the Government enact provisions which would enable the Company to utilize more Canadian coal in certain areas of Ontario and Quebec without involving increased cost, or decreased quality, as compared with imported coal, it would cooperate fully in the furtherance of such a policy.

The Canadian Pacific Railway appreciates the problems of Canada's coal economy especially in relation to marketing. In this connection it fully realizes the important place which the Company's coal purchases have in designing a programme to improve and stabilize the industry. The Company will, therefore, make every reasonable effort to play its full part in supporting policies recommended for the development of a sound Canadian coal industry.

APPENDIX "A"Purchases of Canadian Coal, 1920-1944

<u>Year</u>	<u>Eastern Lines¹</u> <u>(Tons)</u>	<u>Western Lines²</u> <u>(Tons)</u>
1920	115,000	1,447,031
1921	124,000	1,015,419
1922	136,000	942,457 xx
1923	175,000	1,728,397
1924	254,000	892,716 x
1925	90,000	1,377,513
1926	112,000	1,708,997
1927	110,000	1,649,835
1928	211,000	1,961,227
1929	115,000	1,854,590
1930	100,000	1,331,558
1931	64,000	1,113,194
1932	175,000 #	972,497
1933	232,000	912,850
1934	219,000	1,117,126
1935	224,000	1,205,562
1936	273,000	1,219,011
1937	233,000	1,239,701
1938	235,000	1,187,667
1939	268,000	1,376,643
1940	257,000	1,693,702
1941	230,000	2,179,549
1942	192,000	2,003,932
1943	180,000	1,445,584
1944	<u>160,000</u>	<u>1,896,123</u>
Total	4,484,000	35,472,881

x 6 months' strike

xx 3 months' strike

1 Lines east of Port Arthur

2 Lines west of Port Arthur

Fuel for D.N.R. purchased separately
1920-32 and not included
in Eastern Lines total.

APPENDIX "B"Purchases of United States Coal, 1920-44

<u>Year</u>	Eastern Lines <u>Tons</u>	Western Lines <u>Tons</u>
1920	1,524,000	813,000
1921	1,758,000	560,000
1922	1,519,000	925,000
1923	1,422,000	576,000
1924	1,800,000	822,000
1925	1,538,000	---
1926	1,808,000	251,000
1927	1,673,000	240,000
1928	1,586,000	252,000
1929	1,560,000	292,000
1930	1,494,000	283,013
1931	1,205,000	106,083
1932	792,000	152,225
1933	885,000	104,448
1934	1,035,000	94,405
1935	932,000	115,442
1936	1,094,000	70,389
1937	1,064,000	81,728
1938	953,000	87,235
1939	1,031,000	---
1940	1,179,000	---
1941	1,810,000	---
1942	1,785,000	200,259
1943	1,567,000	1,049,816
1944	<u>2,446,000</u>	<u>1,131,253</u>
Total	35,460,000	8,207,296

APPENDIX "C"Comparison of Bituminous and Lignite Coal Used
in Stationary Boiler Plants, Western Lines, 1921-44

<u>Year</u>	<u>Bituminous Tons</u>	<u>Lignite Tons</u>	<u>Total Tons</u>	<u>Average Cost per Ton</u>
1921	187,007	33,363	220,370	\$5.67
1922	166,433	55,107	221,540	4.91
1923	143,614	71,509	215,123	4.15
1924	104,654	112,833	217,487	3.26
1925	75,947	140,695	216,642	2.53
1926	71,743	148,002	219,745	2.26
1927	59,319	172,859	232,178	1.97
1928	55,224	177,605	232,829	1.86
1929	63,506	175,601	239,107	2.24
1930	40,964	181,892	222,856	1.71
1931	42,414	139,371	181,785	1.68
1932	49,843	143,720	193,563	1.54
1933	40,735	150,432	191,167	1.60
1934	29,560	149,230	178,790	1.53
1935	29,806	157,933	187,739	1.48
1936	22,183	165,245	187,428	1.39
1937	21,976	166,066	188,042	1.37
1938	22,375	157,687	180,062	1.38
1939	20,141	161,796	181,937	1.37
1940	17,065	164,684	181,749	1.38
1941	22,022	158,954	180,976	1.39
1942	29,338	157,357	186,695	1.60
1943	65,910	127,935	193,845	2.07
1944	42,301	141,865	184,166	1.94

APPENDIX "D"

Average Tons of Company Coal and Commercial Coal Shipped
from Mines in Crow's Nest Pass and Canmore Areas, 1920-1944

<u>Year</u>	<u>Company Coal (Tons)</u>	<u>Commercial Coal (Tons)</u>	<u>Total</u>	<u>% Company</u>	<u>% Commercial</u>
1920	1,505,861	901,329	2,407,190	62.6	37.4
1921	1,049,005	583,443	1,632,448	64.4	35.6
1922	964,560	404,041	1,368,601	70.5	29.5
1923	1,765,292	397,214	2,162,506	81.6	18.4
1924	896,086	237,040	1,133,126	79.1	20.9
1925	1,377,553	349,786	1,727,339	79.8	20.2
1926	1,711,103	506,426	2,217,529	77.6	22.4
1927	1,663,912	562,527	2,226,439	74.7	25.3
1928	1,981,521	554,486	2,536,007	78.2	21.8
1929	1,756,127	502,606	2,258,733	77.8	22.2
1930	1,331,558	493,645	1,875,203	73.0	27.0
1931	1,113,194	525,875	1,639,069	68.9	31.1
1932	972,497	387,228	1,359,725	71.5	28.5
1933	912,850	443,768	1,356,618	67.3	32.7
1934	1,117,126	526,254	1,643,380	68.0	32.0
1935	1,205,562	526,139	1,731,701	69.6	30.4
1936	1,219,011	600,752	1,819,763	67.0	33.0
1937	1,239,701	603,531	1,843,232	67.2	32.8
1938	1,187,667	579,627	1,767,294	67.2	32.8
1939	1,376,643	634,941	2,011,584	68.4	31.6
1940	1,693,702	748,981	2,442,683	69.3	30.7
1941	2,179,549	1,002,353	3,181,902	68.5	31.5
1942	2,003,933	1,342,458	3,346,390	59.9	40.1
1943	1,445,584	1,602,372	3,047,956	47.4	52.6
1944	1,896,123	1,157,158	3,053,281	62.1	37.9

APPENDIX "E"

Canadian Pacific Railway Company
Pounds of Fuel per 1,000 Actual Gross Ton Miles
1920 - 1944

<u>Year</u>	<u>Freight Trains</u>	<u>Passenger Trains</u>
1920	148	262
1921	135	247
1922	133	238
1923	130	229
1924	129	228
1925	120	223
1926	121	216
1927	120	194
1928	116	182
1929	118	183
1930	113	179
1931	114	179
1932	114	183
1933	112	187
1934	113	186
1935	109	185
1936	108	187
1937	106	185
1938	102	182
1939	99	186
1940	97	181
1941	98	179
1942	100	176
1943	106	185
1944	105	182

MR. STOCKDILL sworn by the Chairman as to facts, opinions
to be founded on a proper basis.

EXAMINED By Mr. Frawley.

Q On page 5 you call attention to the fact that there still remains a high percentage of fines in locomotive coal. You are referring to Canadian purchases, I think?

A Yes.

Q In a word, what is locomotive coal? As to size, I mean. What do you buy to burn in your locomotives?

A I think I will ask Mr. Enman, who is our general fuel agent at Winnipeg, to reply.

MR. ENMAN: We buy bituminous coal known as mine run in the Western mines. Of course the percentage of fines is rather high. The mine run coal is not as suitable for locomotive use as the prepared sizes.

Q Can you not buy prepared sizes, speaking of the Western bituminous mines? Do you have to buy mine run?

A Yes. The percentage of fines is so high there would not be sufficient screened coal available, I don't think, and the question of market for fines comes in. The quality of the fine coal, that is the heat value, is just as great as the lump, but the loss is in the stacks.

Q If you had your own way about it entirely you would buy screened sizes for your locomotives?

A If they were available.

Q And if there were no other operator's problem you would buy screened sizes?

A That is what we would like. The smaller sizes would not be so objectionable.

Q You would be able to utilize them better?

A I think so.

Q But at the moment you find that mine run is not any too efficient because of the escape through the stack?

A Yes.

Q It is not only lack of preparation plants? What is the situation of the Western bituminous mines as to labour, the people who sell you Western screened sizes?

A Well, at a time I suppose when the mine is fully manned they could screen out, I suppose, all the 2quarter-inch, but right now they are limited as to labour supply, we practically have to take everything we can get.

Q I just want to be clear, if you insisted on it, if you had no regard to the operators' need for disposing of those fines, could you buy your supply at the present time?

A Well, if we insisted on a size all above a quarter of an inch the operators might find it difficult to find a market for the percentage of quarter fines that they would have to screen out.

Q And your purchasing policy takes into account the fact that the operator would have a problem in disposing of those fines?

A That's right.

Q But if that were not there, I am speaking of the physical set-up, they have enough preparation plants and screening plants to supply you with whatever coal you need?

A Maybe in normal times.

BY COMMISSIONER McLURIN: At all events you would have to pay more for the coal you got?

A Oh yes.

Q There is a price consideration in the fact that you take the mine run?

BY MR. FRAWLEY: So you have to balance that with your stack loss?

A Yes.

Q Mr. Stockdill, on page 7--perhaps it is something the same-- you say that "In normal times the Company's purchase of United States coal is confined entirely to prepared sizes in contrast to mine run coal supplied in Canada." Now I think that is a rather significant statement. It just bears out what Mr. Enman is saying, I suppose?

MR. STOCKDILL: Yes. Apparently the American mines have a market for their fine coal which makes it possible for us to buy the type of coal we prefer.

Q And I suppose, following up Justice McLaurin's remark, that is also reflected in the price for the American coal?

A There is a slight increase for the screened coal.

MR. ENMAN: Very slight; 15 cents. It just depends on what district you get the coal from.

BY MR. FRAWLEY: And does it more than compensate you? Do you think it is preferable at a little increased price than the mine run and consequent stack loss?

A Yes, it is.

Q Now you say on page 8, Mr. Stockdill, that it was impossible to secure Nova Scotia coal in that eastern territory because of lack of supply. "The change to United States coal on this route was made after World War I when there existed a relatively long period when it was impossible to secure Nova Scotia coal in this territory because of lack of supply."

Would you mind just elaborating a little bit on that?

MR. STOCKDILL:

A We put that in that way so as not to be too specific. As a matter of fact my understanding is the mines were on strike.

BY THE CHAIRMAN: There was another reason also, was there not, that their ships, their transportation facilities by water from Sydney to Montreal, were all commandeered and it took them a long time to re-establish that route on the basis that it had been previously?

MR. FOLEY: That's right.

MR. STOCKDILL: I am not sufficiently familiar.

BY MR. FRAWLEY: Mr. Foley, you said some of it was going to the other side?

MR. FOLEY: At one time it was being sent to Europe. That was before this time, the time you are speaking of. That was on account of shortage of bottoms to bring the coal into Montreal.

BY MR. FRAWLEY: "The Company therefore was forced to adapt its supply and operating technique to the United States product." Was that as a result of this situation there was a definite displacement of Nova Scotia coal which might not otherwise have taken place?

A. That is correct.

(Page 4554 follows)

Q. Can you just say how much, or how important that was in towns or in regions, supply regions?

BY MR. FOLEY - It displaced coal from McAdam, east to west.

Q. West then?

A. Yes, west, and also between Montreal and Quebec.

Q. What you are saying is that those displacements resulted in United States coal being used from McAdam to Montreal and from Montreal to Quebec, and has remained that way ever since?

BY MR. STOCKDILL

A. No, I won't say ever since. It went back again between Montreal and Three Rivers, but not between McAdam and Montreal.

Q. That has always remained on United States coal?

A. Since that time.

Q. And I suppose it is reasonable to say that but for this loss of ships at that time, that the market might still have been enjoyed by Nova Scotia coal?

A. It might have.

Q. Do you know whether it would have to come under government assistance, or could it come under its own power as far as Montreal, railway coal?

A. The difference in the size of the coal has a lot to do with that. We were getting prepared coal from the United States, whereas we were getting mine-run from Nova Scotia. We found it therefore more economical.

Q. Is that quite important?

A. Yes; even with subventions we were paying a higher price for their coal.

Q. For the United States?

A. No, for Canadian coal, due to the difference between mine-run and screened coal.

Q. I am trying to get at the reasons for the displacement of Nova Scotia coal and whether there might be any reverting to it. But you say that the fact that you are getting prepared sizes from the United States, would that be enough to warrant you in keeping to the United States coal even though the Nova Scotia supply might

be rectified?

A. If the supply is rectified, and the cost and difference in quality has to come into it before we make a change.

Q. If cost was equalized by government subvention, that would leave quality?

A. That is a matter for our management to say.

BY THE CHAIRMAN - Don't you think too that the fact that the Nova Scotia mines were not preparing, you think properly preparing coal, added to the difficulties of doing business with the Nova Scotia industry? I think that is what you said?

A. I would not say it was not properly prepared.

Q. Prepared as you needed it, as you required it?

A. Yes.

EXM. OF MR. STOCKDILL BY MR. FRAWLEY (continued)

Q. Coal for your requirements?

A. Yes.

Q. You get a better product for your requirements from the American mines than from the Nova Scotia mines?

A. Yes, in size and preparation.

Q. So there is more than one reason for the loss of that tonnage to the Nova Scotia mines?

A. Exactly.

Q. Now Mr. Stockdill would you mind elaborating on what you say about your purchasing policy at the top of page 10. It left me a little bit confused. You say that you have made your purchases "with a view to providing for an equitable amount of production and employment in the various mines producing the Company's requirements. You mean that you like to spread the business?

A. For many years we did spread on a pro rata basis. In other words, there were so many mines, and if one company had two mines it represented two units, and for a great many years we actually divided our coal purchases out there on a pro rata basis.

Q. Even though that resulted in your paying somewhat higher prices for the coal?

A. Yes, and in connection with that I might quote from a statement which I made to the McGillivray Coal Commission at Calgary in 1938, which will give you an idea of what the policy cost us. I told them that we had been endeavoring for some years to get our purchases onto a strictly competitive basis. We were not able to do that, and in 1926 we called for tenders on the basis of a competitive bid. We received those bids and after analyzing them it was the view of our General Fuel Agent and myself at that time that we should place the contracts on a partially competitive basis, not completely, because if we did some mines would be out of business, so we recommended to our Executive a distribution which would have saved the Company \$195,000 on the purchases during that period. The Executive, by reason of their consideration of the Coal Companies, and of the men employed by the Coal Companies, and in view of the fact that our finances were reasonably good at the time, decided that I would continue to buy the coal on a pro rata basis, so during that year it cost us \$195,000 more than it would have if we bought strictly on a competitive basis rather than on a pro rata basis. Then I said, following the placing of a certain contract, "had we further placed our contract on a competitive basis we would have paid \$186,000 less than we did for it in 1936, \$184,000 less in 1937, and \$195,000 less in 1938, or a total for the three years of \$565,000." So that is what we have in mind.

Q. You said 1926 a few minutes ago.

A. It should be 1936.

Q. Then you describe the technique of buying the coal.

A. That was 1926 first, and then later we tried it again.

Q. Ten years later?

A. Yes, and there was another year of \$195,000. So it was 1938 as well as 1926.

Q. Then you speak of "On completion of the yearly estimate, figures are supplied by the Western Bituminous Coal Operators, who then tender on whatever portion of the total tonnage they are desirous of supplying. When all tenders are received, relevant

facts are studied and contracts awarded." Does that not indicate that it is on a competitive basis?

A. Well it is not completely competitive. We still take into consideration the mining situation out there, as well as our own situation, and try to arrive at a basis that we feel is fair to them as well as to us.

Q. Then it is partly competitive and partly non-competitive?

A. The situation is that if when we call for tenders on these mines, there are some of them who are in a position to supply a very large tonnage and quote a favorable price. If we were to take the mines who quote on these larger tonnages in relation to our actual needs, it would give all of our coal to those companies and some companies would not have any, and it has been our desire not to deliberately place our business in such a way as to close up coal mines.

Q. Then you don't require all of the operators in this area (the Crow's Nest Pass area of which we are speaking) to meet the price of the biggest and most efficient operator?

A. Not in that case. But after we have these bids, then there is a certain amount of negotiation and the prices are arrived at.

Q. As a result of your negotiation you give some tonnage to a mine that you appreciate could not be expected because of volume to get down to the low price of the biggest and most efficient operator?

A. We have done that in the past. We have paid various prices.

Q. For the same quality of coal?

A. Yes.

Q. You say you have in the past. Is that pretty well the purchasing policy?

A. It has been. Of course in recent years the price is fixed by the Coal Control.

Q. Because I can see what you say, otherwise it is possible that one or two operators could supply all your requirements in that area, and you don't want that situation?

A. We have to think of the variation in traffic.

Q. And those communities are almost 100% founded on railway coal, and the communities would fold up and your traffic would suffer?

A. In recent years the relations between commercial coal and railway coal have not been as favorable to us. The Coal Companies have been developing a commercial business, which made it better for them and for us as well.

Q. I hope I have made that sufficiently clear. That has been a contention, and I don't want to spend too much time discussing it. You say you are not interested in any of those companies out there financially?

A. No.

Q. The International Coal & Coke Company?

A. No.

Q. And if they have any business with smelting, that is not because you own any part of International?

A. No.

Q. You do have supplementary tonnage, in addition to the estimated tonnage of the yearly requirements?

A. Yes. We place the contract, generally speaking, when we make our estimate of our tonnage we do not order completely what we think we may need, because we call for these bids along about February. You don't know what your traffic is going to be that year, and consequently there is a certain amount of leeway, and the mines are always, or are usually ready to give us a larger tonnage than the actual amount set out in the contract.

Q. How is the price of that supplementary tonnage arrived at?

A. Sometimes for a higher tonnage I think we get a slight reduction.

BY MR. ENMAN - Yes, we get a reduction.

BY MR. FRAWLEY TO MR. STOCKDILL

Q. Your contract provides for the event of your desiring more coal than originally called for, does it? Does it have such a provision in it that contemplates your requiring more coal than originally contracted for?

A. That is an understood thing, although never written, that we may require more coal than what we contract for.

Q. And is the price sufficiently negotiated on that original tonnage, or is it originally negotiated for when you make the first arrangement?

A. No, it is another agreement, any reduction we get on any further coal we may take.

Q. It is a reduction in the price originally contracted for purely on the basis of increased volume?

A. You can put it that way. Some contracts call for a certain price for a certain tonnage, and if it is higher, anything over that is a slight reduction, and anything over that again another slight reduction. There is no fixed basis. It varies according to general conditions.

Q. When an operator enters into a contract at the first of the year, is his price fixed for the year? If he is faced with a wage increase, does the contract provide that he will get an increased price?

A. We have not had that.

Q. Supposing an operator was faced with an order from the War Labour Board to increase his wages, so far as you are concerned you would hold him to his contract to supply the coal?

A. We could not do business unless we did.

Q. You could not do business buying at a higher price?

A. If we could go to the Railway Commission and say, we have to pay more and we want more for our freight, but unfortunately we can't.

Q. There was one instance when you did purchase your coal on a truly competitive basis, which resulted in the tonnage going pretty well to one or two mines, as I recall it?

A. No, it was not a competitive basis. You have in mind the contract with the McGillivray Creek Coal & Coke Company and International, made in 1935. The situation in that case was that the President of the McGillivray Creek Coal & Coke Company about 1934 approached us and stated that he thought he might be able to

get control of International, which is located at Coleman where his McGillivray Creek Coal & Coke Company mine is located, and he asked us if in the event of his securing control of those two mines, would we be willing to give him a contract for a fixed tonnage to be taken at a regular amount each week for four years, or a long term period, and if we could do that he would give us a reduction of 50¢ per ton. We told him, after due consideration, that if he placed himself in a position to make such a contract we would negotiate with him. About a year later he told us he was in a position to negotiate such a contract, and we negotiated it for four years, which saved us \$210,000 per year for four years on the basis of the price we were then paying. Unfortunately from the other Coal Companies standpoint that occurred during a depression period when our tonnage was at its minimum.

BY COMMISSIONER McLAURIN - Was this 1937?

A. 1935, I think it was. The first contract was 1935.

Q. Running for four years it would expire in 1939?

A. Yes, and then it was renewed for another four year period after that. When I appeared before the McGillivray Commission in Calgary that question came up, and Judge McGillivray asked me whether I intimated to the other Coal Companies that that was in prospect and gave them the same opportunity, and I said no it would not be fair because the other men had the same opportunity to think out the scheme as Lorne Campbell and they could not expect me to get up on the housetop and shout what Campbell was doing when it was going to be for the benefit of the Canadian Pacific Railway, so we didn't say anything until the contract was made, and then we found out what coal was for them and that was distributed as equitably as possible among the remaining coal companies. And I must say as to the other coal men after the contract was made, I invited them to come to Winnipeg, and they came, and I explained the situation, and while they were naturally disappointed there was no serious opposition from the other coal men because they appreciated the fairness of it from our standpoint.

BY MR. FRAWLEY - Do I understand as you now state your purchasing policy, you don't propose to concentrate your tonnage in any amount in two or three mines?

A. I could not make any statement that at no time in the future we would do that. Our actions in the future will have to be determined by the situation as it appears at the time, but generally speaking our desire is to keep all of those coal companies operating so long as it does not cost the C.P.R. too much money, because we have no source of money except from our revenues.

Q. You have no place to present your deficits for payment?

A. We have not.

Q. And if in the future someone came along and offered you a reduction of 50¢ per ton if you would give them a long term contract, you would like this Commission to understand that you would like to hold yourself free to accept it?

BY THE CHAIRMAN - What would be wrong with any such contract?

BY MR. FRAWLEY - Nothing in the world.

EXM. BY MR. FRAWLEY (continued)

Q. You do say you have some regard to the upkeep of those communities because they are dependent very largely on railway coal? I am not coloring my question with any view at all, but you do say you have that in mind, and you do say there is a possibility that if a mine in community "X" got no portion of your coal in a year, there would be a lowering of the economic level in that community, and I think that is what you mean when you say you have in mind the distribution of your tonnage over the whole area?

A. I am sure the coal operators along our line in Western Canada will agree that we have considered them very generously in the distribution of our orders. I remember about 1930 or 1931 when the depression was coming on and coal needs were less, that we purchased and took delivery of 20,000 tons a month for 4 months and put it on the ground to give work to coal miners, and later we had to pick that up, and that is the difficulty of buying coal

on the ground and picking it up, because you have to burn it sometime, and when you are picking it up you are not taking coal from the coal companies; but we feel we have been very generous in the treatment of the coal operators along our line. One other feature in connection with the earlier days, and perhaps not just the earlier days, but as we prepared our economics as to the cost of western coal in relation to American coal, I am going down to points east, where there is a difference actually in the economics in favor of the American coal, to a certain extent we have disregarded that for this reason, that a considerable portion of the cost of American coal laid down is the providing of employment for American miners, for American railway men, and for American steamboat men, whereas if we buy Canadian coal we are giving work to Canadian miners, to Canadian Railway men, who in turn spend their money for supplies which they need, which revolves around and provides work generally, so we have felt that we are justified in favoring Canadian coal even at some difference in the cost as represented by the actual statement of economics, because while you cannot put your finger on it insofar as our own revenue is concerned, it is obvious if this money is spent in Coleman or Bellville it comes back to us, or some of it, in the form of freight and supplies which they buy from those wages.

BY COMMISSIONER McLaurin - You say some of that coal that goes as far as White River is, as far as you are concerned, not giving any competition with American coal, as you can probably buy American coal cheaper?

A. When we brought it to White River I think we got it down pretty closely to the economic basis. We had the subvention of course.

Q. I know it is not going in necessarily economically because of subvention, but if on top of that you are being sacrificed, the thing is becoming more economic. When I am told in your brief that you are taking coal there, I was assuming that with the subvention that was taken to a market where it competed with American coal

and you were buying a coal for your purposes equal to American coal.

A. There is a slight difference in the burning quality of American coal as compared with Western coal, and we have taken that into account in arriving at the economics. But in bringing it down to White River we were pretty close to balancing up, with the subvention. We could not move it there without subvention at that time, and what can be done in the future will depend on wages and all other incidentals.

Q. And competing American prices?

A. Yes. And we think we have been as fair to the western men as is possible. In other words, in arriving at our cost there is no thought of freight rates. We take out or include in our costs of moving that coal down to actual out-of-pocket cost, nothing for overhead, merely cost of loading, and transportation cost, and unloading.

EXM. BY MR. FRAWLEY (continued)

Q. You mean when obtaining subvention?

A. No, subvention has no bearing on our cost. The Government determined that they would give a certain amount per ton of coal used between certain points. But in our own determination of whether we would use Western coal or American coal, we figure out our own cost of moving that coal to certain points and then set it against the cost of bringing in American coal and moving it up to the same point.

Q. When you are getting subvention on the coal from Michel to White River is the freight rate just the ordinary commercial freight rate?

A. No, there is none. The Government says we will pay so much per ton for coal used east of this point. We take into account our own cost and then say the Government will pay so much subvention, and the one and the other give us the distance that we can afford to move Western coal.

Q. The cost of the Canadian coal at the consuming point is balanced against the American?

A. Plus the subvention.

Q. But the cost of Canadian coal at consuming point is the mine price?

A. Plus our cost of taking it down. We don't take freight rates into account in arriving at our own cost, we simply take from our statistics the information what it costs out-of-pocket. If you haul a train load of coal it costs so much, if we haul 10 cars of coal it costs so much, and then there are other factors that don't appear there that we include as well.

Q. Just following up this question of the White River coal, would you mind submitting a memorandum showing what tonnage was involved in that movement, what you calculated the laid down cost at the using point of the Michel coal and what the American coal would have cost you. You say you don't think there was any differential, and I would like to know if there was any amount, even a few cents, that it cost your company in addition to what it cost the Canadian Government, to use the Michel coal?

A. I will.

Q. You say the Coal Control has directed you to discontinue bringing it over Jack Fish dock?

A. Yes.

Q. That is where that coal would have gone at the time the Michel coal came down, the American coal would have gone in over Jack Fish dock?

A. Yes.

Q. So you can give us the tonnage, and a little Profit and Loss statement as it were?

A. Yes.

BY COMMISSIONER McLAURIN - You say it goes to White River, and I suppose Chapleau. Does that mean that some of this Michel coal, as far as consumption is concerned, would get as far as Chapleau?

Q. It would be put on the engines going east from White River and some of it would still be on the tender when it got to Chapleau.

Q. And when you talk about your coal moving to White River or Sonora, that is your last divisional point where you stockpile it?

A. Yes.

Q. West of the division you are using Crow's Nest Pass coal?

A. We are still using American coal east from Winnipeg. We have some American coal on the dump at Winnipeg, but we use western coal as far as Winnipeg, and in the normal course some of that would get on east of Winnipeg.

Q. That is a wartime condition?

A. Yes.

Q. You know exactly what the breaking down point is in cost from using American coal brought in by Lake Superior over your Algoma and Lake Superior divisions as against Western coal?

A. It varies each year, you can't permanently say this is the breaking point, because it has to be worked out each year. There would be no basis I could give you now that would be permanent.

Q. And the comparative qualities of the coal enters into it?

A. Yes.

Q. And if in this calculation that you are going to do, if you will call attention to the fact that the American coal had such a quality and the Michel coal would have such a quality.

BY COMMISSIONER McLURIN - We will want some of this information.

BY MR. STOCKDILL - We did work up the mechanics and I will see whether those are available, and if not we will have them prepared.

EXM. BY MR. FRAWLEY (continued)

Q. I am only asking now about that one movement. It is pretty hard to hit it just on the decimal point. Now at page 13 you make the statement here that - "Canada's coal mines again becoming the major suppliers of coal to the Canadian Railways" You don't contemplate any such situation so far as your central Canadian

requirements are concerned?

A. I would not think we could get any further than we have in the past. Of course it depends altogether on what policy may be determined upon.

Q. You have said that if the Government's policy is to increase the subventions you would be very glad to use the Canadian coal. I was wondering if that should be qualified. "However, the elimination in peacetime, either whole or in part, of the present excess in the supply of United States coal over the normal level of imports, should result in Canada's coal mines again becoming the major suppliers of coal to the Canadian Railways." You would have to treat it region by region?

A. What we have in mind is that we hope it will get back to where it was before.

Q. Can you tell us the procedure used in buying fuel oil on the west coast?

A. Well the procedure is that the contracts are made by our General Purchasing Agent. As a matter of fact I think ever since we started to burn oil out there we have been buying the oil from one company, except that when oil became available in Alberta then we gradually utilized what was available, and I think now I put in here that oil from Canadian refineries is being used as far west as Revelstoke, which reduces the amount of American oil.

Q. It keeps the American oil west of Revelstoke, but it is used from there down almost 100%?

A. Yes, to Vancouver, and the Island.

Q. It may be of interest to us to know just what technique you follow in placing the orders, and calling for bids, and arriving at the price. Perhaps you would be good enough to have something briefly prepared for us on that?

A. Yes, I will ask Mr. Roberts, our General Purchasing Agent, to prepare that.

Q. I would like to know what he takes into account? The possibility of importing in direct in cargoes from California ports?

1. My recollection is that some of the oil comes directly from California and is placed in the storage tanks of Vancouver alongside of property which belongs to us, and some comes from the Icola refinery which is up towards Port Moody.

2. It comes I imagine from Canadian refineries refining California crude oil, but what the Commission is interested in is the importance of the competition of California oil coming in.

A. With Canadian fuel oil?

Q. Yes. What is the price determining it. But if Mr. Roberts knows more about it, I won't bother you with it.

A. I don't think there is much competition in price anyway; the same as gasoline.

Q. We might want Mr. Roberts to come up and make a statement to us before we finish. I think that is all Mr. Stockdill.

BY THE CHAIRMAN - We want to thank you Mr. Stockdill very sincerely for the very valuable contribution you have made to the records of this Commission. It may have cost you considerable time, and we want to thank you for the time you put on it. You have given us rather a complete picture of the Canadian Pacific Railway's connection with the coal industry of this country.

BY MR. STOCKDILL - We have tried to show that we have been vitally interested in the Canadian coal industry.

BY MR. FRAWLEY - I would ask Mr. Paton to present the brief of the Toronto Coal Exchange.

BY M.J. PATTON - I am appearing for the Toronto Coal Exchange.

Exhibit 229 - Submission of Toronto Coal Exchange.

MR. PATTON then read Exhibit 229, as follows:

This brief deals principally with the distribution of solid fuels in Ontario, the most thickly populated and highly industrialized section of the acute fuel area of central Canada. The Toronto Coal Exchange, the signature of whose officers it bears, is representative of the interests distributing domestic and industrial fuels in the Greater Toronto area, both wholesale and retail. In wholesale operations, the Exchange is also representa-

tive of the interests supplying fuel to most of central Ontario, that is, that portion of the province extending roughly from Brockville on the east to Port Arthur and Port William on the west. Approximately 95 percent of the solid fuel dealers of the Greater Toronto area are members of it, and these handle about 95 percent of the total domestic and industrial fuel tonnage sold in that area.

Ontario's Place in the National Economy

The Province of Ontario is an important unit in the Canadian economy, and factors affecting its fuel supply, either as to quantity or cost, have thus an important influence on the prosperity of Canada as a whole. In 1941, the last census year, Ontario had a population of 3,787,655, or 32.9% of that of 11,506,655 for all Canada. In 1939, the last year before figures were abnormally swollen by the stimulus of war, the value of the province's gross production totalled 2.52 billion dollars, or 43.27% of the gross production of the whole of Canada. Highly industrialized as it is, the province had a gross production of manufactures in that year of 1.745 billion dollars, equivalent to 50.24% of that for all Canada. The fact that this gross production of manufactures of 1.745 billion dollars constituted 69.27% of the gross production of the province indicates how important manufacturing is in the provincial economy.

The Canadian Fuel Problem

Ontario's fuel problem is naturally quite intimately bound up with that of Canada as a whole. Thanks to the work of the Dominion Fuel Board the main features of the Canadian fuel situation are now comparatively well known to the public. Briefly, they are as follows: Although possessing practically no anthracite coal, Canada has large bituminous and semi-bituminous coal reserves in western Canada and the Maritime Provinces, but these, unfortunately, are far distant from the highly industrialized, populous central provinces of Ontario and Quebec, which the Dominion Fuel Board has aptly called the "acute fuel area" of Canada. The

Drumheller coal field in Alberta is, for instance, 2107 miles from Toronto; Sydney, Nova Scotia, is 1298 miles distant. Coupled with this is the fact that directly to the south of our acute fuel area, and approximately 275 to 450 miles distant, are the rich coal areas of a friendly country, connected with the populous, highly industrialized area of central Canada by a highly efficient water and rail transportation system, and containing reserves sufficient for many hundreds of years of good grade anthracite and bituminous coals suitable for every conceivable type of use. These coals, generally speaking, stand shipment better than our Canadian coals. They are available in central Canada at prices with which, other things being equal, our coals cannot compete. The question, therefore, at once arises whether we should at higher cost use our own coals, thus increasing our costs of production and limiting the sale of our goods in the export markets of the world, or lean heavily, as we have in the past, on coal imported from the United States.

COAL SUPPLIED TO CANADA'S ACUTE FUEL
AREA, ONTARIO & QUEBEC, 1939 and 1943,
IN A PRE-WAR AND A WAR YEAR.
(Calendar Years - Net Tons)

IMPORTS OF ANTHRACITE COAL

DISTRIBUTION OF BITUMINOUS COAL

<u>From U.S.A.</u>	<u>1939</u>	<u>1943</u>	<u>From U.S.A.</u>	<u>1939</u>	<u>1943</u>
Quebec Area	36,169	25,464	Quebec Area	223,156	1,045,956
Montreal "	567,085	1,469,220	Montreal "	1,056,010	5,286,955
Ottawa "	113,086	209,454	Ottawa "	399,142	1,112,760
Kingston "	71,354	87,778	Kingston "	200,524	545,010
Toronto "	1,486,818	1,939,647	Toronto "	4,288,785	7,199,369
Windsor "	238,656	232,628	Windsor "	2,390,881	3,386,944
N. Ont. "	35,520	32,716	N. Ont. "	1,230,072	3,159,272
			Head of Lakes	417,690	1,413,073
Total	2,548,688	3,996,908		10,206,260	23,149,339

COAL SUPPLIED TO CANADA'S ACUTE FUEL AREA (continued)

<u>From Gt. Britain</u>	<u>1939</u>	<u>1943</u>	<u>From Other Canadian Provinces</u>	<u>1939</u>	<u>1943</u>
Quebec Area	76,444	14,439	Nova Scotia	3,101,679	619,754
Montreal "	428,377	175,217			
Ottawa "	139,704	23,002	New Brunswick	48,580	5,914
Kingston "	18,996	336			
Toronto "	248,469	25,595	Western		
Windsor "	1,422	-	Provinces	122,984	15,791
N. Ont. "	28,255	358			
Total	939,867	238,947	Total	3,275,243	641,459

BY MR. PATTON - That table is put in there to show the great increase due to the war effort in the distribution of coal. A glance at the total shows how great that has been, and how coal from Great Britain has declined in imports, and also Canadian coal has declined in its importation into Ontario.

MR. PATTON continues brief.

Export Trade and Fuel Costs

Export trade is of peculiar importance to Canada. Using our abundant and diversified raw materials as a basis, we have become one of the great manufacturing nations of the world. Since we have a comparatively small consuming population of our own, it is freely conceded by economic authorities that, to be prosperous, Canada must be a large exporter of what she produces. Professor Gilbert Jackson, in a recent study, estimates that in 1939, three out of every eight of our population gainfully employed depended for their livelihood on export trade.

BY MR. FRAWLEY - Will you identify that?

A. That article appears in McLean's Magazine of August 1st, this year.

MR. PATTON continues brief.

He estimates that in the years immediately ahead, making allowance for increase in population and technological progress, we will need an additional national income of 2.5 billion dollars over that of 1929 (our last pre-war full employment year) to give full employment, and an increase of one billion dollars over 1929 merely

to reproduce the sad conditions of the '30's. In order to provide full employment, our exports, he estimates, will have to increase by 1,800 million pre-war dollars, or 80% over those of 1928, our largest peace-time export year. All this serves to indicate how vital export trade is to our prosperity. It is one of the maxims of world trade that the most potent factor in competition is price, and anything, therefore, that tends to increase our cost of production will reflect on our ability to compete in export trade and on our ability to give employment to a large section of our people.

Ontario's Solid Fuel Requirements

The solid fuel requirements of Ontario in 1939, the last fairly typical peace-time year before statistics began to balloon upward under the demands of war, amounted to 12.2 million tons of coal. About one-sixth of this was anthracite, the standard fuel used for domestic heating. Of the 2.4 million tons of anthracite retained in the province for consumption in that year, 1.9 million tons, or 80% of the total, was imported from the United States. Most of the remainder, .43 million tons, or 18% of the total anthracite requirements, came from Great Britain. Only an infinitesimal contribution to our supplies was made by foreign countries - Germany, Belgium, Holland and French Indo-China. Bituminous coal, the main use of which is for industrial purposes, constituted four-fifths of the solid fuels retained in the province for consumption. Of the 9.7 million tons of bituminous coal used, by all odds the greater portion, 8.4 million tons, or 86%, of it came from the near-by coal fields of the United States, and only 1.3 million tons, or 13%, from the more distant Maritime Province collieries. Our Western Canadian collieries supplied only slightly more than a half of one per cent. That, in bare outline, is the picture of Ontario's solid fuel requirements and an indication from whence they were supplied in an ordinary peace-time year.

BY COMMISSIONER McLAURIN - Do your figures include railway coal?

A. Yes, they include the Bureau of Statistics figures. They include them all.

Q. You think they do include railway coal?

A. I think so, yes.

BY MR. FRAWLEY - In answer to what Mr. Justice McLaurin says, would you make quite certain that railway coal is included, and let me know?

A. Yes.

BY COMMISSIONER McLAURIN - I thought it would be more than that, with the Canadian Pacific using coal as far as White River. I have seen the subvention figures for those mines and it runs into three or four hundred thousand dollars some years. So I thought it would be more. I am thinking of 1939.

BY MR. FRAWLEY - Half of one percent, you say?

BY COMMISSIONER McLAURIN - Your figure may be right.

MR. PATTON continues brief

The two following tables indicate statistically what the solid fuel consumption of the Province has been in recent years. The table on coke includes coke used for both domestic and metallurgical purposes.

FUEL RETAINED IN ONTARIO FOR CONSUMPTION
1935 - 1943 Inclusive
(Calendar Years - Net Tons)

	<u>1935</u>	<u>1936</u>	<u>1937</u>	<u>1938</u>	<u>1939</u>
<u>Anthracite</u>					
From U.S.A.	1,310,967	1,388,829	1,603,033	1,570,178	1,953,014
" Gt. Britain	568,153	532,249	425,617	445,928	433,607
Other Countries	<u>75,989</u>	<u>82,372</u>	<u>31,118</u>	<u>125,094</u>	<u>37,174</u>
Total	1,955,109	2,003,450	2,059,768	2,141,200	2,413,795

<u>Bituminous</u>					
From U.S.A.	8,325,718	9,044,108	10,788,716	8,517,268	8,350,176
" Gt. Britain	4,024	3,342	8,776	- -	- -
" N.S. & N.B.	926,424	1,046,397	1,215,090	771,248	1,294,038
Western Prov.	<u>41,570</u>	<u>46,182</u>	<u>48,186</u>	<u>35,410</u>	<u>60,115</u>
Total	9,297,736	10,140,029	12,060,768	9,323,926	9,704,329

<u>Lignite</u>					
From Sask. and Alta	<u>18,883</u>	<u>49,748</u>	<u>45,095</u>	<u>59,894</u>	<u>62,869</u>
	11,271,728	12,193,227	14,165,631	12,525,020	12,180,993

	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>
<u>Anthracite</u>				
From U.S.A.	1,917,618	2,321,240	2,775,025	2,483,459
" Gt. Britain	<u>369,418</u>	<u>187,125</u>	<u>68,315</u>	<u>49,291</u>
Total	2,287,036	2,508,365	2,843,340	2,532,750

<u>Bituminous</u>				
From U.S.A.	11,446,873	13,496,408	15,227,916	16,944,590
" N.S. & N.B.	954,761	177,191	27,269	----
Western Prov.	<u>84,833</u>	<u>168,638</u>	<u>128,230</u>	<u>----</u>
Total	12,486,467	13,842,237	15,383,415	16,944,590

<u>Lignite</u>				
From Sask. and Alta.	<u>94,414</u>	<u>160,353</u>	<u>162,859</u>	<u>15,791</u>
	14,867,917	16,510,955	18,389,614	19,493,631

APPARENT CONSUMPTION OF COKE IN ONTARIO, 1929 - 1943 #
(Calendar Years - Net Tons)

Year	Production	Add Declines in Producers' Stocks	Deduct Increases in Prod- ucers' Stocks	Add Imports (entered for consumption)	Deduct Exports and Re- Exports	Apparant Consump- tion
1929	1,624,884	-	-	1,123,761	2,010	2,746,635
1930	1,516,080	-	-	993,815	317	2,509,578
1931	1,113,509	-	-	694,982	106	1,808,385
1932	1,087,122	-	-	605,307	-	1,692,429
1933	1,216,110	31,171	-	582,806	16,332	1,813,755
1934	1,437,720	-	58,483 58,483	819,576	27,582	2,171,231
1935	1,387,926	11,012	-	657,168	15,470	2,040,636
1936	1,497,500	19,892	-	658,210	31,949	2,143,653
1937	1,560,890	28,677	-	500,424	45,399	2,044,592
1938	1,424,581	-	93,343	384,933	24,332	1,691,839
1939	1,438,704	61,737	-	565,949	54,531	2,011,859
1940	1,794,239	7,048	-	701,705	47,880	2,455,112
1941	1,897,317	28,433	-	743,005	47,207	2,621,548
1942	1,920,627	9,215	-	856,637	52,193	2,734,286
1943	2,269,421	28,820	-	909,228	53,137	3,096,692

- From 1933 on, figures include Petroleum Coke.

Sources of Supply and Reserves

To a province depending so heavily on fuels obtained outside her own borders, reserves and continuity of supply are matters of importance. American anthracite, the principal fuel used for domestic heating in Ontario, is obtained from a relatively small area in eastern Pennsylvania. The United States Bureau of Mines and the geologist of the Commonwealth of Pennsylvania estimate that, at the present average rates of production and with known methods of recovery, these fields have a reserve sufficient to last.

for 150 to 160 years. Most of this coal that comes into Canada moves by rail over old and excellently equipped rail lines that insure continuity of supply.

United States Anthracite

United States Anthracite has been for many years, and is yet, the standard house-heating fuel in central Ontario, but relative to other fuels, has lost ground over the past 20 years in this market. At this date it is difficult to understand the one-time predilection, indeed the prejudice, of the consuming public for this fuel. They thought they could not possibly get along without it. Stoves and furnaces were specially made to burn it and chimney flues designed for its use. Gradually, however, the efforts of the Dominion Fuel Board to broaden our sources of supply by encouraging the use of substitute fuels without forcing changes in furnace and chimney design has had its effect. Whereas 20 years ago Ontario's annual imports of United States anthracite ran around 3 million tons per year, importations just prior to the outbreak of the Second World War averaged around 1.5 to 2 millions a year. Fuels displacing it were coke, low volatile United States bituminous coals and British anthracite.

BY MR. FRAWLEY - Why would the Dominion Fuel Board encourage the use of such substitute fuels as low volatile United States bituminous. What would they care whether they used anthracite or Pocahontas?

A. There are very large supplies of bituminous coal and low volatile coals.

BY COMMISSIONER McLAURIN - As I understand it the low volatile supplies are not too heavy?

A. They are in comparison with the figures we usually think of in Canada.

Q. I think the reason they encourage that is that they get a smokeless fuel?

A. That is one of the main reasons.

S.

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M. J. Patton

BY MR. FRAWLEY - It was to get a smokeless coal? It was not the idea of pushing back United States importations so that Canadian coals could be used?

A. I think they tried to encourage as much as they could the use of Canadian coal.

MR. PATTON (continues brief)

British Anthracite

The last named coal, a very high quality and very satisfactory domestic coal, obtained a foothold in the central Canada market just after the last war in 1922 and 1923, when a major anthracite strike in the United States gave it its chance. With it came the electric blower, which was specially adapted to its use because of the large volume of small sizes available. Importations into Ontario approximated from 400,000 to 550,000 tons annually just prior to the outbreak of war. There has always been some doubt as to the continuity of supply from Britain because of the limited capacity of the Welsh mines (from 4 to 5 million tons annually), the fluctuating demands on them from Europe and the disruptions caused by European political troubles. Imports practically ceased during the war just ended, but those engaged in the import trade believe imports will approach pre-war figures in two or three years' time. There has been some suggestion that German reparations to Britain be paid partly in coal. This, if adopted, would free larger tonnages of British coal for export.

12:00 O'CLOCK NOON - HEARING ADJOURNED UNTIL 2:00 P.M.

2:00 P.M. HEARING RE-CONVENED - MR. M. J. PATTON takes the stand and continued reading Exhibit 229.

United States Bituminous Coal

"There are ample supplies of bituminous coal in the United States", says the Dominion Fuel Board in its Second Progress Report. "Reserves are estimated", it continues, "at 1,314,000 million tons The bituminous fields and the anthracite fields are equally as near the Ontario and Quebec markets. Barring labour

and transportation difficulties, there is little doubt that Ontario and Quebec can continue to secure large supplies of this coal as long as Canadian coal cannot be made economically available". Recoverable reserves of bituminous, sub-bituminous, lignite and semi-anthracite coal in the United States is estimated by a committee of distinguished mining engineers appointed by the United States Coal Commission as at January 1, 1944, at 1,615,457 million tons. Production for the 20 years ending December 31, 1943, averaged 462 million tons a year, and in 1944 it was 620 million tons.

Alberta and Nova Scotia Coals

There are likewise large reserves of Western Canada and Maritime Province coals, but the great distances these are from Ontario make it economically impossible to supply this market with them. The relatively high sulphur content of Nova Scotia coal, as well as its low ash fusion temperature and its friability are factors operating against the use of this coal in competition with the higher qualities and wider range of United States bituminous coals available. The average grades of Alberta coal suffer also under the disability of low heating value, their tendency to break up with handling and to disintegrate on exposure to the air. This makes them unpopular with dealers on account of degradation losses and inability to please customers equipped to burn high-carbon well prepared coal. However, some grades are fairly popular with some customers, especially for use in stoves in country districts.

Wood and Peat

Wood is an important fuel in Ontario in the northern areas, but the farm wood lot in Older Ontario is a diminishing asset. It has been officially estimated that the consumption in Canada averages about a cord per capita per annum. Peat is available in numerous sizeable bogs in Ontario, but although it makes a desirable fuel for grates and ranges, it has never been produced in quantity at prices that can compete with coal, despite the fact that the Dominion Government has spent well over two million dollars in trying to find

an economical process for dispelling the water from the raw peat and processing it for market. It takes double the weight of air-dried peat to produce the same heat as United States anthracite coal. It is not a present factor in the fuel supply. A small deposit of low grade lignitic coal in the James Bay area has been recently investigated by the Ontario Government and found not of sufficient value to develop.

Hydro-Electric Power and Oil

There is such a low surplus of hydro-electric power over industrial demands in Ontario that that source of energy is only a minor factor in supplying heat as an auxiliary to coal and coke. Oil, however, looms up in the heating firmament as a very formidable competitor of the chief fuels now in use because of flexibility in use and ease of control. It is a by-produce in the manufacture of gasoline, immense quantities of which are used by motor vehicles. Petroleum pipe lines connect southern Ontario with the great Mid-Continent and Texas Oil fields of the United States.

Natural Gas

In southwestern Ontario natural gas is a factor in the field of domestic heating and is also utilized for industrial purposes. Production increased from 7.76 million cu. ft. in 1926 to 12 million cu. ft. in 1939. Reserves are regarded as somewhat uncertain, but it should be noted that recently natural gas has been transported by pipe line from the middle western and southern United States gas fields to American cities on the Great Lakes from which it could be piped to Canada.

Heating Values of Fuels

Heating values of the various fuels should, of course, be given proper consideration in evaluating them. Analysis of the various grades of coals are available literally in the thousands MacQuown's "Proximate Coal Analyses", to which the Commission doubtless has access, gives these in great detail. As an escape

from the hystifying complexity of these numerous analyses and as a handy rule-of-thumb measure, we give below the results of actual burning tests in standard domestic hot water heaters conducted by the Dominion Fuel Board. The results are given in relation to the heating value of 10 tons of United States anthracite.

<u>Fuel</u>	<u>Equivalent Tonnage of 10 tons of U. S. Anthracite</u>
U. S. Anthracite	10.00 tons
Welsh Anthracite	8.39 "
By-product Coke	9.36 "
U. S. Smokeless Semi-bituminous	9.65 "
Alberta Sub-bituminous	13.53 "
Alberta Domestic	15.48 "
Air Dried Peat	21.95 "

Standing out in the foregoing is the high heating value of Welsh Anthracite and by-product coke and the relatively low heating value of Alberta coals.

Nearby U. S. Coal Fields Natural Source of Supply

A glance at the map impresses one with the close proximity of central Canada to the great United States coal fields to the south. The industrialized southern portion of Ontario thrusts itself down into that large semi-circle of states which are particularly richly endowed with coal-bearing measures, making them, so to speak, the natural sources of Ontario's coal supply. Pittsburg, the centre of the rich Pennsylvania coal areas, is only 200 miles from the Niagara gateway to Canada, Connelsville, Pa., is 350 miles distant and Wheeling, W. Va., 361 miles. The distance to Windsor, Ontario, from Pittsburg is 318 miles, from Connelsville 327 miles and from Wheeling 363 miles. It is not unnatural, therefore,, that a very large, well-organized coal business, both in domestic heating and industrial coals, should have grown up between these portions of Canada and the United States over the years since coal was found there. Beginning with the early railway

development period of the fifties, a great net-work of coal-carrying railways has been built, connecting these coal areas with Canadian points. Hundreds of millions of dollars have been invested in them, in coal conditioning and handling equipment, and in great dock installations and fleets of vessels on the Great Lakes for carrying coal northward to central Canada. On the Canadian side of the Great Lakes complementary facilities have been constructed to receive and distribute this fuel, the veritable life blood of central Canada's great manufacturing industries which gave such a magnificent account of themselves in the war just over. Perhaps nowhere in the world is there a better example of what modern business initiative and inventive ingenuity can do to provide on a large and elaborate scale an efficient and economical organization for making available to large areas a bulky, difficult to handle, but extremely necessary commodity.

Producing Districts in U. S.

The United States anthracite deposits are found in a limited area in the eastern portion of Pennsylvania, and stretching from there westward to Illinois is a wide belt of bituminous coal - producing states from which we draw coals of almost every conceivable kind and quality. Under the United States Coal Conservation Act this area is divided into twenty-three producing districts in the first eight of which Canada is particularly interested. The following indicates the location of these districts from which Canada imports coal and the estimated tonnage produced by each in 1944.

District 1.	Eastern Pennsylvania.....	62.5 million tons		
2.	Western Pennsylvania.....	89.5	"	"
3.	Northern West Virginia.....	46.5	"	"
4.	Ohio.....	44.0	"	"
5.	Michigan.....	This district produced only 150,000 tons and it is all used locally.		
6.	Panhandle, West Virginia.....	5.46 million tons		
7.	Southern West Virginia and Virginia (low volatile field)	62.5	"	"

- District No. 8. Southern West Virginia,
Eastern Kentucky and Tennessee
(high volatile field)..... 124.0 million tons
- No. 9. West Kentucky..... 18.7 " "
(This district supplied practically
no Canadian needs until the last year
or two, since when it has shipped coal
up the Lakes for Canadian railways.)
- No. 10. Illinois..... 76.0 million tons
(This district did not supply Canada
with any appreciable tonnage until
the last two or three years, since
when considerable shipments have
been made through Chicago up the
Lakes for Canadian railways.)
- No. 11. Indiana..... 28.8 million tons
(Some of this coal has of recent
years moved through Chicago up
the Lakes for use by Canadian
railways.)

These total 557,000,000 tons.

BY MR. FRAWLEY - By far certainly the most of your coal came
from District 8?

A. That does not indicate, Mr. Frawley, the amount that comes to
Canada.

Q. Oh, this is tonnage produced?

A. Yes, it shows the tonnage produced.

MR. PATTON continues brief

Herewith we present a map of the North Central United
States and South Central Canada showing these coal districts and
the routes by which most of the coal moves northward over the
Great Lakes to Canada. Distances and the location of coal docks,
which of late years have become such a factor in the distribution
of coal, are also indicated.

BY COMMISSIONER McLAURIN - Where is the centre of the circuit,
Toronto?

A. Toronto.

MR. PATTON continues brief

Coal Docks on the Great Lakes

Generally speaking it may be said that coal from Districts

1, 2 and 3 moves from the dumping ports of Oswego, Sodus Point and Rochester on the south shore of Lake Ontario across the Lakes to Canadian docks at Kingston, Bellville, Trenton, Cobourg, Oshawa, Toronto and Hamilton. The Oswego dock is operated by the Delaware, Lackawanna & Western Railroad, the dock at Sodus Point by the Pennsylvania Railroad and that at Charlotte by the Baltimore & Ohio Railroad. Anthracite coal and bituminous coals from the eastern bituminous fields move advantageously over these docks. There are a large number of bituminous coal mines in the area served, which includes the Fairmont field in Northern West Virginia, the Pittsburg field and the Reynoldsville field.

Coal from Districts 1, 2, 3, 4, 6, 7 and 8 normally moves for delivery in central and western Ontario through the Lake Erie ports of Buffalo, Erie, Conneaut, Ashtabula, Fairport, Cleveland, Lorain, Huron, Sandusky and Toledo to such Canadian ports as Toronto, Hamilton, Fort Erie, Port Colborne, points on the Welland Canal, Port Maitland, Port Dover, Port Burwell, Port Stanley and Erieau, and to ports on Lake Huron and Lake Superior and to some extent to ports east of Toronto.

Cargo shipments of bituminous coal from Lake Erie ports in the United States to Canadian destinations amounted to 6.51 million tons in 1938, 6.672 million tons in 1939 and 12.21 million tons in 1944.

Lake Erie Docks

There are two docks at Buffalo, one operated by the Delaware, Lackawanna & Western Railroad and one by the Lehigh Valley Railroad. Neither of these docks are as modern as those at some of the other ports. In many cases where coal might move through Buffalo it is moved through Erie or some further west port with faster docks, even though it involves payment of a higher lake freight rate into Toronto and Hamilton.

The dock at Erie, operated by the Pennsylvania Railroad, is a fast loading dock over which can be loaded coals from

Pennsylvania, many Ohio coals and coal from the Monongahela Railroad in Northern West Virginia.

The dock at Conneaut, operated by the Bessemer & Lake Erie Railroad, is of lesser importance than many of the other Lake Erie docks because many of the most popular coals cannot move over it. At Ashtabula there is a dock operated by the Pennsylvania Railroad and another by the New York Central Railroad. Fairport is operated by the Baltimore and Ohio Railroad, as is also Lorain. At Cleveland there are two docks, one operated by the Pennsylvania Railroad and the other by the Erie Railroad, Sandusky, which serves Southern West Virginia and Kentucky coals, is a Pennsylvania Railroad dock. The last named is one of the most modern on the Lakes. Few of the Pennsylvania or Northern West Virginia coals can be routed by way of Sandusky or Toledo.

BY MR. FRAWLEY - Is that because of this regional freight rate that that is so? Do you know why that is Mr. White?

A. Well the lines on which the coal originates does not go to those two ports. The Toledo and Sandusky are served by C.N.O. and Avalon, which take coal from Southern West Virginia.

MR. PATTON continues brief

The principal dock at Toledo is a Chesapeake & Ohio Railroad dock, but the New York Central Railroad also has a dock there. The port of Toledo serves Southern West Virginia and Kentucky coals and handles perhaps the largest tonnage of any dock on the Lake.

Canadian Docks

On the Canadian side of the Great Lakes there are a string of coal docks receiving and distributing the coal coming over the United States docks. Beginning at the eastern end of Lake Ontario, Kingston for many years back has had a number of small docks over which was imported from Oswego their supplies of anthracite and most of their bituminous coal. This is still the case, but the volume is not great. Moving westward, there are a

number of small docks - at Napanee, Bellville, Trenton, Cobourg, Port Hope and Oshawa. Most of the bituminous coal used in this area has for a number of years been brought into these docks and trucked as far inland as Peterborough and Lindsay.

Toronto is of course the largest importing point on the Lakes using a number of docks. The Toronto area will be dealt with later and in detail, as exemplifying many of the outstanding characteristics of the system for the distribution of coal in Ontario.

At Hamilton, the Hamilton By-Product Coke Ovens built a dock for their own use in the middle '20's, over which they have also handled bituminous coal for Canadian wholesalers. Rochester & Pittsburg Coal Co. (Canada) Ltd., Pittsburg Coal Co., and Gillies-Guy use this dock. The F. P. Weaver Coal Co. also have a dock in Hamilton which they established in the early '30's.

In the highly industrialized Niagara Peninsula there are quite a number of coal docks. F. P. Weaver Coal Co. have a dock at Thorold, on the Welland Canal, and a number of industrial firms, such as the Ontario Paper Company and the Beaver Board Company have private docks on this waterway, as have also Diffin Coal Co., Lannan Coal Co. (closely associated with Rochester & Pittsburg Coal Co.) and Electro-Metallurgical Co. of Canada. The Empire-Hanna Coal Co. have had a dock at Port Weller since the early '30's, and Pittsburg Coal Company have one there also. Century Coal Co. have operated a dock at Port Colborne for quite a number of years, from which coal has been shipped inland by rail. Valley Camp Coal Co. of Canada have also had a dock at Port Colborne for a number of years.

Illustrating the competitive capacity of docks in the rail-and-water movement of coal as against all-rail movement, it may be pointed out that most of the industrial coal used in Niagara Falls, Ont., is supplied by truck from docks at Port Weller or Thorold, despite the fact that an all-rail movement would mean only the moving of the railway cars across the International bridge.

Domestic coal, for the most part, continues to come in by rail across the bridge.

The Toronto, Hamilton & Buffalo Railway have a dock at Port Maitland on Lake Erie, operated by Canada Coal Co. on which other wholesalers also store coal, paying Canada Coal Co. for handling it for them. This coal moves mostly to points served by the Canadian Pacific Railway.

The Canadian Pacific Railway also have a dock at Port Burwell which is operated by Valley Camp Coal Co. of Canada. Further west along the lake, the London & Port Stanley Railway have a dock at Port Stanley operated by Century Coal Co. that stores coal for Pittsburg Coal Co., Rochester & Pittsburg Coal Co. (Canada) Ltd., and Empire-Hanna Coal Co. Imperial Fuels Ltd. of London, also have a dock at this point. Most of the coal handled over this dock is delivered inland by truck. This coal is trucked as far north as Woodstock, meeting and even passing coal which used to be trucked from docks in Hamilton as far as Kitchener. Not so many years ago such inland towns as Brantford, Galt, Guelph, Woodstock, Paris, Kitchener, Elmira and Preston were supplied by industrial coal that moved all-rails, but this all-rail industrial coal has been pushed back by competition from coals moving over Hamilton docks and thence by truck to final destination. Most of the domestic coal used in this area is still brought in by rail.

BY THE CHAIRMAN - Actually all of the coal docks on the American side, and coal dock facilities, are provided by the American Railways?

A. Yes, most of them.

Q. And they are interested also, or do you know if the American Railways are interested in many of the docks on the Canadian side?

A. No, I think not.

BY MR. WHITE - Just one dock on the Canadian side.

BY MR. FRAWLEY - Which one?

A. Erieau.

Q. In which the American Railways are interested?

A. Yes, Pere Marquette.

BY THE CHAIRMAN - The Canadian Pacific supplies a dock I notice, the Buffalo railway?

A. Right.

Q. There is more coal imported there of course that would supply the necessities of the Canadian Pacific in that area, I presume?

A. Oh yes.

Q. So American interests are getting assistance from the railways on the south, and also from the railways on the south on their importations?

A. Yes, the main putpose of railways having docks there is to pick up freight.

MR. PATTON continues brief

At Erieau there is a large coal dock operated by the Lake Erie Coal Dock Co., which is associated with the Pere Marquette Railroad.

BY THE CHAIRMAN - That is a hint that should be taken up by our Canadian National Railways as far as the east is concerned.

MR. PATTON continued brief

The next large dock centre is the Windsor-Detroit District. At Sandwich the Pittsburg Coal Company operate a dock having a screening tipple that loads screened coal into railway cars. This firm sells a large tonnage here for vessel fuel as well as looking after local sales. Confederation Coal Co. have a dock in Windsor, from which coal is trucked to local industries and Empire-Hanna Coal Co. have a large, well-equipped dock there, too. F. P. Weaver Coal Co. operate a small dock at this point. Large industries here like Ford Motor Co. of Canada and Hiram Walker & Co. have large private docks.

BY MR. FRAWLEY - Is Confederation Coal Company just a small local company, or a subsidiary of some larger company, or some railway subsidiary?

BY MR. WHITE - I believe it is a small local company.

MR. PATTON continues brief.Upper Lake Docks

Turning northward from here, the story of coal distribution takes a different trend. While in Eastern Central and Southwestern Ontario the supply by lake-and-rail is a comparatively recent development, from Sarnia north practically all industrial coal has always moved by water. Nearly all the industrial coal consumed in the area running along the east shore of Lake Huron and along Georgian Bay is supplied over a number of rather small docks, such as Goderich, Kincardine, Southampton, Owen Sound, Meaford and Collingwood.

At Point Edward the Empire-Hanna Coal Company operate a dock from which they trans-ship via rail to inland points, chiefly in Western Ontario. Pittsburg Coal Co. using the dock facilities of Mueller Limited, a private industrial concern, bring in coal for distribution in Sarnia. Dalton Fuels also have a dock there and import coal via lake-and-rail for distribution in that vicinity. Century Coal Co. have a bunkering dock at Point Edward, importing coal for ships and also for distribution. Imperial Oil Limited also operate a private dock at Sarnia. The newest private dock operator in this area is the Polymer Corporation who made substantial importations for local consumption.

By far the greatest volume of coal that moves through Georgian Bay to the consuming areas of Northern Ontario moves over the Century Coal Company's dock at Midland. the Canadian Pacific Railway dock at Britt and the Canadian Pacific Railway dock at Little Current. These last three mentioned docks handle most of the fuel for the railways from, say, Barrie north and west until the movement of coal through Lake Superior docks, such as those at Port Arthur, Fort William and Michipicoten, is met. Coal for International Nickel Co. at Copper Cliff (in the pre-war period they used 400,000 tons yearly and in the war period 500,000 tons) moves through Midland and Little Current, and coal for the Temiskaming and Northern Ontario Railway moves to North Bay, its

southern terminal, through Britt and Midland, the former a Canadian Pacific Railway, and the latter a Canadian National, connection.

BY MR. FRAWLEY - You say the International Nickel Company has been supplied with its coal requirements from United States in recent years?

A. No, I didn't say that.

BY MR. WHITE - Yes, in the last war years, that is correct.

Q. What about pre-war years?

A. Prior to 1938 Canadian coal went up there.

Q. Starting in 1933 or 1932 when Nova Scotia coal went in. I think you are a little low on that annual consumption, the Purchasing Agent gave the figure to me 50,000 tons a month.

A. 600,000 tons a year.

MR. PATTON continues brief

As between all-rail shipments from the Detroit or Buffalo gateways and water shipments to this area there is a large differential in rates in favor of the latter, because the docks used are "fast" docks and very large boats can go into them and be quickly unloaded and can then go to the head of the Lakes and get either grain or ore for return cargoes.

BY MR. PATTON - There follow a series of tables regarding freight rates. In the first table under the heading of Charlotte there appears the figure 168. That should have an "x" after it referring to the foot note.

BY MR. FRAWLEY - On the second table your foot-note says - "There are, however, published by the various carriers, additional rates on exceptional movements". Just what does that mean.

BY MR. WHITE - I can't think at the moment.

Q. Has it anything to do with train load movements?

A. Oh no.

Q. Nothing of that sort?

A. No.

Q. Just an agreed movement on an agreed freight, you mean?

A. No, it would be... I think probably you had better give us time to think about that.

Q. But I am interested in whether or not you want to tell us, or leave the inference with us, that there might be lower rates than the established quoted rates. You will look into that?

A. Yes.

Q. And do you mind looking at page 24, Black Rock, Belleville, Toronto, Hamilton, London. From where to where?. You are speaking of all rail freight rates on anthracite coal. Is that to Black Rock, and Belleville, and Toronto, and so on? Perhaps if you would look into that.

A. That would be the local rate to Black Rock, and then the rates into Canadian points, Benville, Toronto, Hamilton and London.

Q. Originating where?

A. From the anthracite field.

Q. Anywhere in the anthracite field, a common rate?

A. Yes.

TYICAL LAKE CARGO FREIGHT RATES TO LAKE ERIE AND LAKE ONTARIO PORTSBITUMINOUS COAL(IN CENTS PER TON U. S. FUNDS)

	Toledo and/or Sandusky	Huron	Lorain	Cleveland	Fairport	Ashtabula	Conneaut	Erie	Buffalo	Charlotte	Sodus Point	Oswego
<u>District #1</u>												
Central Pa:								(156)				
Reynoldsville					156	141		(141)	156	168	188 _x	188 _x
Cherry Tree)												
Eltoona)	183	183	183	183	183	183	183				188 _x	
Meyersdale)												
Clearfield				233		(233)	(233)				188 _x	
Western Mary-						(183)	(183)					
land and												
Northeastern												
W. Va:												
Cumberland-												
Diedmont		193	193	193	193	193						

<u>District #2</u>												
Western Penn-												
sylvania:												
Butler-Mercer						124	124				188 _x	
Freeport				156		156	141	141		213 _x	213 _x	
Pittsburg	156	156	156	156	156	156	156	156		213 _x	213 _x	213 _x
Connellsville		164	164	164	164	164		164		213 _x	213 _x	213 _x

<u>District #3</u>												
Northern West												
Virginia:												
Fairmont)		176	176	176	176	176		176		213 _x	213 _x	213 _x
Monogah)										234 _x		
Clarksburg)										249 _x		
Belington			191		191							
Gauley & Elk												
River		193	193	193	193	193						

<u>District #4</u>												
Ohio:												
Ohio #8 and												
all areas												
south												
thereof	153	153	153	153	153	153	156	(156)				
Massillon)								(153)				
Meddle)	143	(138)										
		(143)	138	138	138	138						

100

100

100

100

100

100

100

100

100

100

100

100

100

100

100

TYPICAL LAKE CARGO FREIGHT RATES TO LAKE ERIE AND LAKE ONTARIO PORTSBITUMINOUS COAL(IN CENTS PER TON, U. S. FUNDS - Cont.)

	Toledo and/or Sandusky	Huron	Lorain	Cleveland	Fairport	Ashtabula	Conneaut	Erie	Buffalo	Charlotte	Sodus Point	Oswego
<u>District # 6</u>												
Panhandle, West Va: Moundsville) Pittsburg)	156		156	156	156	156		156		213 _x	213 _x	

District #7
 Southern W, Va.
 and Northwestern
 and Central
 Virginia:
 Low Vol.Coals 206
 High " " 191

District #8
 Eastern Ky.,
 Southwestern
 W. Va, Western
 Virginia,
 Northern Tenn.
 and North
 Carolina:
 High Vol.Coals 191

Notes:

Dumping charges in addition to rates shown:

At Lake Erie Ports - 09¢ per net ton

At Lake Ontario Ports - 09¢ per net ton or 10¢ per gross ton

_x Indicates rates in cents per gross ton.

Rates above are indicated in general only, for purpose of simplicity. There are, however, published by the various carriers, additional rates on exceptional movements. It should be noted also that the port or ports at which coal will load is governed by the tariffs of the originating carrier.

TYPICAL ALL RAIL FREIGHT RATES ON U. S. BITUMINOUS COAL

(INCENTS PER TON, CANADIAN FUNDS)

From:	TO:	<u>Buffalo</u>	<u>Detroit</u>	<u>Toronto</u>	<u>Hamilton</u>	<u>London</u>
<u>District #1</u>						
Central Penna:						
Reynoldsville		219	295	B 319	B 309	B 359
Clearfield)						
Cherry Tree)		234	295	B 334	B 324	B 374
Altoona)						
Meyersdale)						
Western Maryland and						
Northeastern W. Va.:						
Cumberland-Piedmont		268	368	B 368	B 358	B 408
<u>District #2</u>						
Western Pennsylvania:						
Butler-Mercer		219	255	B 319	B 309	B 359
Freeport		224	270	B 324	B 314	B 364
Pittsburg		234	270	B 334	B 314	B 374
Connellsville		249	270	B 349	B 339	D 380
<u>District #3</u>						
Northern West Virginia:						
Fairmont		249	270	B 349	B 339	D 380
Monongah)						
Clarksburg)		268	270	B 368	B 358	D 380
Belington)						
Gauley-Elk River		283	295	B 383	B 373	D 405
<u>District #4</u>						
Ohio:						
Ohio #8)		234	220	B 334	B 324	D 330
Meddle)						
Massillon		174	195	B 274	B 264	D 305
<u>District #6</u>						
Panhandle, W. Va.:						
Moundsville)						
Pittsburg)		234	270	B 334	B 324	B 374
<u>District #7</u>						
Southern W. Va. and						
Northwestern and						
Central Virginia:						
Low Volatile Coals		358	295	D 435	D 435	D 405
High Volatile Coals		338	270	D 410	D 410	D 380
<u>District #8</u>						
Eastern Kentuckym						
Southwestern W. Va.,						
Western Va., Northern						
Tenn. & North Carolina						
High Volatile Coals		338	270	D 410	D 410	D 380

Note: Currency equalization charge of 20¢ per net ton U.S. Funds is levied by originating carrier in addition to above rates.

B - Indicates via Buffalo

D - Indicates via Detroit.

GENERAL APPLICATION OF LAKE CARGO FREIGHT RATES ON ANTHRACITE COAL
TO LAKE ERIE AND LAKE ONTARIO PORTS
RATES IN CENTS PER GROSS TON, U. S. FUNDS

	<u>Ashtabula</u>		<u>Erie</u>		<u>Buffalo</u>		<u>Charlotte</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
When destined to Ports east of Straits of Mackinac & Saute Ste. Marie	339	288	339	288	339	288	301	276
When destined to Ports on Straits of Mackinac, to Saute Ste Marie or Ports West thereof	289	276	289	276	289	276	251	251

	<u>Sodus Point</u>		<u>Oswego</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
When destined to Ports east of Straits of Mackinac & Saute Ste. Marie	301	276	301	276
When destined to Ports on Straits of Mackinac, to Saute Ste. Marie or Ports West thereof	251	251	251	251

Dumping charges in addition to above:

At Charlotte, Sodus Point, Oswego - 10¢ per gross ton
 At Ashtabula, Erie and Buggalo - 09¢ per net ton

A - Indicates Prepared Sizes, Briquets and Boulets.

B - Indicates Pea and Smaller.

- - - - -

GENERAL APPLICATION OF ALL RAIL FREIGHT RATES ON ANTHRACITE COAL
RATES IN CENTS PER GROSS TON, CANADIAN FUNDS

<u>Black Rock</u>		<u>Belleville</u>		<u>Toronto</u>		<u>Hamilton</u>		<u>London</u>	
<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
307	276	451	445	391	391	376	376	472	441

Notes: A - Indicates Prepared Sizes, Briquets and Boulets
 B - Indicates Pea and Smaller.

Currency equalization charge of 24¢ per gross ton, U. S. funds, is levied by originating carrier.

TYPICAL SELF UNLOADER VESSEL RATES ON BITUMINOUS & ANTHRACITE COALAS APPLIED BY UNITED STATES FLEETSIN CENTS PER TON, U.S. FUNDS

	<u>Ashtabula Fairport & Conneaut</u>	<u>Buffalo</u>	<u>Cleveland</u>	<u>Erie</u>	<u>Huron & Lorain</u>	<u>Sandusky & Toledo</u>
Oshawa, Ont.	Rates to be 17¢ per ton higher than Toronto.					
Toronto	60	51	65	58	67	70
Hamilton	60	51	65	58	67	70
Niagara River	47	-	52	45	55	57
Welland Canal beyond Thorold	57	49	62	55	65	67
Welland Canal to Thorold, Incl.	47	40	52	45	55	57
Pt. Colborne	35	30	38	32	45	47
Pt. Maitland	33	32	38	30	43	45
Pt. Burwell	29	-	32	32	40	41
Pt. Stanley	29	43	32	32	40	41
Windsor	38	39	35	39	33	31
Sarnia	48	49	45	49	43	41
Goderich	75	75	75	75	75	75
Georgian Bay	80	80	80	80	80	80
Saute Ste. Marie	75	75	75	75	75	75
Fort William	1.10	1.10	1.10	1.10	1.10	1.10

Cargoes split between two ports in same rate zone for shipper's convenience, 05¢ per ton extra on entire cargo.

Cargoes loaded at two ports with different rates, higher rate to apply on entire cargo.

REPRESENTATIVE TRANSPORTATION COSTS ON COKEU. S. & CANADIAN - PER NET TONALL RAIL RATES

From:	To:	<u>Toronto</u>	<u>London</u>
Buffalo		1.50	1.75
Detroit		2.10	1.60
Sault Ste. Marie		3.50	3.90

Note: Freight equalization charge of 04¢ per net ton, U.S. funds, to be added on coke originating in Buffalo and Detroit.

U. S. Federal Transportation Tax of 04¢ per net ton, U.S. funds, to be added on coke originating in Buffalo and Detroit.

Above rates quoted in Canadian funds.

VESSEL RATES

From:	To:	<u>Buffalo</u>	<u>Detroit</u>	<u>Sault Ste. Marie</u>
Toronto		.75	1.15	2.25
Thorold				2.15
Pt. Stanley				1.65
Windsor				1.25
Georgian Bay				1.40
Fort William		x1.00		x.50

x Bulk vessel rates in Canadian funds.

All other self unloader rates in U.S. funds or Canadian funds depending on registry.

Note: U. S. Federal Transportation Tax of 04¢ per net ton, U.S. funds, to be added on coke originating in Buffalo and Detroit.

Water Transport of Eastern Canadian Coal to Ontario

Conditions for the transportation of Eastern Canadian coal trans-shipped at Montreal and other points for delivery in canal-size freighters to docks west of Montreal have become less favorable during the war years.

The fleet of Canadian canal-size freighters in service on the St. Lawrence river and Great Lakes in 1939 consisted of 142 vessels, whereas, in August 1945, this fleet had been reduced, largely as a result of losses due to enemy action, to 86 vessels.

The season of navigation is normally 210 days and the average carrying capacity per vessel per trip approximately 2,375 tons. The average number of trips per vessel per season is $21\frac{1}{2}$; hence the aggregate carrying capacity per vessel per season is approximately 51,000 tons. On this basis the season capacity for the 1939 fleet was approximately 7,250,000 tons, while the capacity of the present fleet in similar trade is approximately 4,400,000 tons, or about 60% of the 1939 figure.

The water freight rate on coal, Montreal to Toronto, now in effect as per Wartime Prices and Trades Board Order No. 258 is 80¢ per net ton, whereas the pre-war rate was 60¢ and even lower. We suggest that the operators of canal size freighters are not going to be subject to the same keen competition now that there are only 86 vessels to compete for the volume of traffic formerly shared by 142 vessels. If and when the control of rates is removed there is every indication that the present 80¢ rate may be increased substantially.

BY THE CHAIRMAN - You are not suggesting that that fleet is not coming back into operation, are you?

A. I deal with that in just a moment, Sir.

MR. PATTON continues brief

As opposed to this condition, the Canadian Upper Lakes and selfunloader fleets have not been depleted and have proved themselves to have sufficient carrying capacity to haul considerably increased tonnages of vital commodities during the war years

than was required pre-war.

In 1939 the importations of U. S. coal by this type of vessel totalled 6.67 million tons, while in 1944 the total was 12.21 million tons.

We suggest that United States coal and Canadian Upper Lake and selfunloader fleets to carry it are essential to maintain Canadian production and nothing should be done to make either the coal or the means of transportation unavailable.

The construction of new canal-size freighters to replace losses depends entirely upon the uncertain development of the Great Lakes - St. Lawrence river deep waterways. Until a decision is made not to proceed with the scheme no ship operator will be inclined to invest considerable capital in the construction of small vessels that are likely to be of little value if and when the deep waterway is completed. The tendency will be toward the construction of larger vessels.

Revolutionary Changes in Distribution System

As a result of the development of new methods of transportation and technological advances there has been in the past 15 years practically a revolution in the business of distributing solid fuels in Ontario. This great change has been due to the concurrent development of the motor truck and paved roads, the self-unloading device for lake vessels and the building of the new Welland Ship Canal. All of these developments have spelled greater efficiency and lower costs, and they have undoubtedly saved the consuming public many millions of dollars, although they undoubtedly, too, have resulted in costly individual readjustments in the trade in order to bring equipment and methods in line with the march of progress. The new Welland Ship Canal, opened in 1931, with a depth of water on its sills of 30 feet, as against 14 feet in the old canal, enabled larger vessels with all the economy of bigger cargoes, to pass from Lake Erie to Lake Ontario. These large vessels range from 7,000 tons to

12,000 tons or even higher capacity, as compared with the canal-size vessel of 3000 tons. The '20's and the '30's saw large expenditures on and extensive construction of new highways, while at the same time the efficiency of the gasoline-driven motor truck was greatly improved. The number of trucks registered in Ontario increased from 16,204 in 1920 to 61,690 in 1930 and to 86,835 in 1940. In this period, too, the self-unloader vessel, carrying its own coal adjusting equipment - a great steel arm reaching inland fully 175 feet or more from the dock side and depositing the cargo quickly and efficiently on the dock, was developed. This led to construction of coal docks on which large quantities of coal were stores from which dealers could get their supply for delivery to coastal cities and also for delivery by truck as far as 60 miles inland.

Solid Fuel Distribution in Toronto

These trends and tendencies are nowhere better exemplified than in the evolution of the solid fuel business in Toronto, the largest consuming centre in the Province, and for this reason we have postponed until this point dealing with the history and problems of the industry in that city.

Greater Toronto has a population of 930,019, the population of the city proper being 676,887, and it is the largest manufacturing centre in the province. In 1939, the last pre-war year, it shared with Montreal the position of being the largest manufacturing city in Canada, each city in that year turning out manufactured goods to the value of 483 million dollars. From estimates supplied by the trade, supplemented in some cases by official figures, it is estimated that in 1939 Toronto used 1,500,000 tons of coal for domestic heating, including apartment heating, and about 1,300,000 tons for industrial use, or a total consumption of 2,800,000 tons.

Following is a table entitled "Estimate of Solid Fuels Distributed for Domestic Heating in Greater Toronto, 1931-45",

showing the tonnages of the various kinds of fuel distributed. Since the Dominion Fuel Board in 1932 discontinued its compilation of figures showing the distribution of solid fuels in the various cities and provinces of Canada, there have been no government statistics on this subject. It should be noted that the figures here presented are estimates only, by members of the Toronto Coal Exchange, except for the past three years when figures have been available from the Fuel Control authorities. We believe, however, they represent fairly close approximations of the quantities distributed in Greater Toronto.

ESTIMATE OF SOLID FUELS DISTRIBUTED FOR DOMESTIC HEATING
IN GREATER TORONTO, 1931 - 45.

(In 1000's of Net Tons - Fuel Years Ending April 30th)

	<u>U.S. Anthracite</u>			<u>European Anthracite</u>		
	<u>Prepared</u>	<u>Small</u>	<u>Total</u>	<u>Large</u>	<u>Small</u>	<u>Total</u>
1930-31	739	68	807	13.5	57	70.5
1931-32	577	60	637	43	80	123
1932-33	408	39	447	80	113	193
1933-34	361	43	404	80	106	186
1934-35	450	53	503	71.5	111.5	183
1935-36	468	37	505	58	95	153
1936-37	457	47	504	86.5	119.5	206
1937-38	578	63	641	49	60.5	109.5
1938-39	569	70	639	37.5	119.5	157
1939-40	656	86	742	16	92	108
1940-41	580	85	665	33	153	186
1941-42	704	96	800	30	89	119
1942-43	913	118	1031	3	41.5	44.5
1943-44	746	135	881	-	46	46
1944-45	703	117	820	-	20	20

ESTIMATE OF SOLID FUELS DISTRIBUTED FOR DOMESTIC HEATING
IN GREATER TORONTO, 1931 - 45 (continued)

	<u>U. S. Bituminous</u>			<u>C O K E</u>			<u>Grand Total</u>
	<u>L.Vol.</u>	<u>H.Vol.</u>	<u>Total</u>	<u>Can.</u>	<u>U.S.</u>	<u>Total</u>	
1930-31	100	-	100	100	122.5	222.5	1,200
1931-32	140	-	140	160	140	300	1,200
1932-33	180	-	180	180	200	380	1,200
1933-34	220	-	220	170	220	390	1,200
1934-35	224	-	224	140	200	340	1,250
1935-36	270	-	270	142	230	372	1,300
1936-37	290	10	300	175	215	390	1,400
1937-38	300	20	320	160	194.5	354.5	1,425
1938-39	305	34	329	135	190	325	1,450
1939-40	310	40	350	140	160	300	1,500
1940-41	299	75	374	175	100	275	1,500
1941-42	313	90	403	150	128	278	1,600
1942-43	340	75	415	65	90	155	1,645.5
1943-44	355	93.5	448.5	222	140	362	1,737.5
1944-45	315	82	397	228	146	374	1,611

Fuel History

By reason of Toronto's location on Lake Ontario, anthracite coal became available by water soon after the Pennsylvania fields began to be developed and railways were built connecting them with the south shores of Lake Erie and Lake Ontario. Thus the city was early educated to the use of anthracite, which was found to be a very acceptable as well as a readily available fuel.

BY THE CHAIRMAN - Have you any figures to indicate fairly approximately what proportion of the domestic fuel, domestic heating fuel, in Toronto is supplied by United States anthracite?

BY MR. FRAWLEY - Now?

BY MR. PATTON - If you look at the table on page 30 I think you will get that information. The first column there, U. S. Anthracite.

BY MR. FRAWLEY - Take one year, 1939-40.

A. In the coal year 1939-40, ending April 30th, there were 636,000 tons of United States prepared anthracite sized, and 86,000 tons of small anthracite sizes, a total of 742,000 tons of anthracite, out of a total domestic heating fuel consumption in Toronto of one million and a half tons.

MR. PATTON continues brief.

From a population of 59,000 in 1871 the city grew rapidly, and as anthracite was the standard fuel, burning equipment AND FLUES AND CHIMNEYS WERE BUILT TO BURN IT RATHER THAN BITUMINOUS COAL.

Horse-and-Wagon Days --- Inland Yards

During the latter part of the 19th century and the early part of the 20th, a number of small coal docks were constructed along the waterfront in the neighborhood of Church and Parliament Streets. Sailing vessels and, later, tugs and barges, brought coal across the lakes to these docks and from there it was distributed throughout the city by horse and wagon. The delivery range of a horse and wagon is limited, and as the city grew and railway facilities became available to the then outlying sections of the city, inland railway yards for the storage and sale of coal sprang up, and coal began coming in by an all-rail movement from the United States through the Niagara gateway.

During this period the old Welland Canal (depth 14 feet) was available for ships of limited tonnage from Lake Erie, and coal from the Ohio and Southern fields came in by that route to storage accommodation around Toronto Bay. This coal, however, was nearly all for industrial use. Coal for domestic use did not come into Toronto through the canal in any appreciable quantity until the new and deeper Welland Ship Canal was built.

Harbor Development

In 1914 the City and the Dominion Government, through the medium of the Toronto Harbor Commissioners, began a program

of broad development of the Toronto waterfront that necessitated railway grade separation and the construction of the present viaduct along the waterfront for the two railways. This program involved the elimination of the existing coal docks, and the fuel importing interests who owned them practically all secured inland yards on railway sidings throughout the city.

BY THE CHAIRMAN - I suppose you are willing to admit that the Welland Canal gave more assistance to the coal trade of the United States than it did to any other industry that you know of?

A. That is a pretty broad statement, and I would not like to pronounce on it without thinking it over. It certainly gave considerable assistance to the trade.

Q. So they are getting it from the Railways and from the Dominion Government.

MR. PATTON continues brief

War and Strikes Force Use of New Fuels

During the latter part of World War I fuel was difficult to obtain, and in 1922 there was a long-drawn-out strike in the Pennsylvania anthracite mines which brought great hardship to Toronto householders. During this period any and every kind of available fuel, including bituminous coal, was brought in and burned for domestic heating purposes. At this time, too, limited quantities of by-product coke were imported from steel plants in the United States where the by-product coke ovens were replacing the old wasteful beehive ovens, and found to be a very satisfactory domestic fuel. Similarly during the 1920-30 period, Pocohontas coals, which are high-grade low-volatile bituminous coals, were imported for the first time and found to be usable in Toronto equipment. On the other hand, it was shown that medium and high-volatile coals were too smoky for the equipment and chimneys and they met with great disfavor, except as emergency fuels. The city's smoke by-laws will not permit the emission of smoke for a longer period than six minutes per hour. Another prolonged strike occurred in the anthracite regions in 1925 and

it was again necessary to bring in many types of substitute fuels to make up the shortage of anthracite. Incidentally, there has been no major strike in the anthracite fields since then seriously affecting the Toronto area.

BY THE CHAIRMAN - - Regarding 1922 and 1925, that is the time when the public men of Toronto got a committee sent to the House of Commons in order to assist Nova Scotia and Western coal into that area to take the place of anthracite. The people of Ontario are really responsible for those subventions after all. Now they are not so very keenly interested in them.

BY COMMISSIONER McLAURIN - The recent strike this year in the anthracite area would be regarded as a major strike.

A. It was not very long continuing.

BY MR. FRANLEY - Thirty days I think.

BY MR. PATON - The 1925 strike I think continued all through the summer.

MR. PATTON continues brief

It was during the 1920-30 period that by-product coke ovens were constructed in Canada, largely as a result of the report of J. L. Landt, a United States engineer retained to the Dominion Fuel Board to inquire into the feasibility of making by-product coke in Canada. The Hamilton By-product Coke Ovens, completed in 1925, marketed considerable of their product in the Toronto area, and the Steel Company of Canada at Hamilton also manufactured coke, some of their excess production being for domestic heating purposes. The coke ovens of the Algoma Steel Company at Sault Ste. Marie originally built in 1911 primarily for making blast furnace coke, were rebuilt and extended in 1919 and again in 1937. These ovens, though distant from Toronto, sell by-product domestic coke here at times, as do also the many steel plants operating in the states bordering on the Great Lakes. By-product coke has proved to be a satisfactory domestic fuel and meets anthracite competition at competitive prices.

Welsh Coal Introduced

It was during the period 1922-30 that Welsh coal was introduced to the Toronto market. Large quantities of this splendid quality anthracite in small sizes became available for this market and the blower furnace was developed to burn it. A considerable tonnage of large-size Welsh coal was imported also, which came in direct competition with United States anthracite. World War II has cut off supplies of this fuel temporarily, as reference to the table on page 5 shows, but supplies are expected to be available again in a few years.

Coal Docks and Self-Unloader Vessels

The rise and extension of docks in the distribution of solid fuels is nowhere better illustrated than in Toronto. Following the opening of the new Welland Ship Canal in 1930, which permitted large upper lake vessels to enter Lake Ontario, dock space for the storage of coal became available in the new Toronto harbor development the following year. Prior to the opening of the new Welland Ship Canal, some small self-unloader vessels brought coal in through the old Welland Canal, but these had short beams and were able to utilize only a narrow strip approximately 100 feet in depth, along the edge of Toronto Bay. Now larger self-unloader boats capable of unloading coal twice that distance inland came into use.

Plans of the Toronto Harbor Commissioners provided for the segregation of coal storage at the eastern end of the harbor area and around the ship channel. Coal docks were opened up immediately this area became available, and by 1935 eleven companies were in occupation of 89.25 acres on long-term leases from the Commissioners. The dock area was rapidly developed, since coal brought in by large boats could be delivered by truck from the docks to the different plants and other consumers around Toronto at a lower price than all-rail coal, and when this movement was once started many of the larger coal companies then supplying coal all-rail to this area made arrangements to move coal

by lake-and-rail in order to compete. Larger areas were thrown open for coal docks on the waterfront, and by 1945 eighteen companies occupied an area of 150 acres with docks.

Bituminous and anthracite coals and coke are stored on the docks, screening facilities have also been erected, and systems of belt conveyors have been installed on some docks which carry the coal back for storage as far as 800 to 1000 feet from the waterfront. Coal distributing companies have invested millions of dollars in this dock development.

Water-borne Fuel Movement

Growth of the water-borne fuel movement into Toronto is shown by the following table:

SOLID FUELS IMPORTED BY WATER INTO TORONTO 1928-1944

(Calendar Years - Net Tons)

1928	....	150,099	tons
1929	....	191,299	"
1930	....	225,992	"
1931	....	560,347	"
1932	....	1,062,994	"
1933	....	1,325,567	"
1934	....	1,667,537	"
1935	....	1,565,264	"
1936	....	1,631,603	"
1937	....	1,726,966	"
1938	....	1,574,700	"
1939	....	1,767,131	"
1940	....	2,224,881	"
1941	....	1,886,068	"
1942	....	1,968,542	"
1943	....	1,861,444	"
1944	....	1,906,007	"

BY THE CHAIRMAN - That is by water connected with rail? It does not mean that it is an all-water movement?

A. Oh no.

BY MR. FRAWLEY - It is a lake movement?

A. Lake and rail.

MR. PATTON continues brief

Similar growth in water borne imports into Hamilton, the other large port on the west end of Lake Ontario, is shown in the table following:

SOLID FUELS IMPORTED BY WATER INTO HAMILTON 1928-1944
 (Calendar Years - Net Tons)

1928	....	464,561	tons
1929	....	797,559	"
1930	....	854,750	"
1931	....	1,006,604	"
1932	....	905,461	"
1933	....	1,227,795	"
1934	....	1,294,981	"
1935	....	1,099,006	"
1936	....	1,291,499	"
1937	....	1,380,654	"
1938	....	1,377,050	"
1939	....	1,270,093	"
1940	....	1,482,520	"
1941	....	1,539,427	"
1942	....	1,571,703	"
1943	....	1,475,481	"
1944	....	1,546,623	"

BY THE CHAIRMAN - Just a moment. I suppose we have figures to indicate the supplies brought in by all-rail?

A. I think we will probably have to get that by subtraction. I gave you in the tables supplied before an estimate of the total consumption in the Toronto area. Here we have the tonnage moved by water, and by subtraction the balance would be all-rail.

Q. Do they sell their all-rail coal in Toronto at the same price as they sell their water-and-rail?

A. They have to compete.

Q. The same price?

A. They have to compete, naturally.

BY COMMISSIONER McLAURIN - Do you mind going back to the top of page 36, your tabulation "Solid Fuels Imported by Water into Hamilton". Does that include coal that goes up the St. Lawrence?

A. Oh yes, all coal

Q. Nova Scotia coal?

A. Yes.

Q. Then it is not proper to talk about lake-and-rail?

A. There might be a small tonnage that would be all-water from the East.

BY MR. FRAWLEY - It would include the coal trans-shipped at Three Rivers and Montreal from the Dominion Coal Company?

A. Yes, so long as it entered the harbor no matter where it came from.

MR. PATTON continues brief.

Effect on Rail Distribution

Dock development also had its repercussions on retail distribution, and these were accentuated by the severe depression of the 1930's. Hard times threw many small truckers, and others with only enough capital for a down-payment on a second-hand truck, out of work, and these thought they saw an opportunity to get employment by going into the fuel business, obtaining their supplies from the docks. There was, in this way, a gradual entrance into the market of mushroom dealers and itinerant truckers who were not well equipped to serve the public, whose offices were in their hats and whose ethics, both from the point of view of the established trade and of the consumers, were not of the best.

BY THE CHAIRMAN - That is a sore point with me. I don't like to hear people complaining about their competitors.

A. That is toned down from what it was originally, Mr. Chairman.

Q. I think it should have been left out altogether.

MR. PATTON continues brief

Severe Competition

As may be imagined, competition was severe, and complaints to the city authorities on short weights, mixing and substitution of coal, and other unethical practices multiplied. The city had had a licensing system for fuel dealers for many years. Now the fuel by-law was reviewed and the provisions made more stringent, whilst the Board of Police Commissioners, who administered it, became stricter in its enforcement. At present city by-laws require the holder of a coal and coke dealer's license to be the owner or occupant of a yard or premises not less than 4000 sq. ft. in area, to have a telephone, and to have and maintain a scale of not less than 5 tons capacity over which all fuel sold must be weighed. Every delivery of fuel must be accompanied by a ticket, to be left with the purchaser,

giving the particulars of the sale. The dealer must at all times maintain a stock of at least 20 tons of coal or coke. The by-law also defines exactly what shall constitute the various kinds of coal sold.

Following is a table showing the number of fuel dealers' licenses issued by years in Toronto from 1929 to 1945 inclusive.

FUEL DEALERS' LICENSES ISSUED IN TORONTO 1929 - 1945
(Calendar Years)

1929 - 128	1938 - 258
1930 - 138	1939 - 249
1931 - 190	1940 - 236
1932 - 215	1941 - 210
1933 - 295	1942 - 184
1934 - 244	1943 - 166
1935 - 229	1944 - 156
1936 - 302	1945 - 154
1937 - 217	

BY MR. FRAWLEY - Have you any comment to make on that falling off since 1941, or since 1940?

A. Times are better, people got more employment, got better jobs elsewhere, and gave up the small retail. I think that is the main cause, and then of course the by-laws were tightened up a bit.

Q. You had more dealers then than were actually necessary to do the job?

A. It would appear so.

MR. PATTON continues brief.

World War II Brings Difficulties

Various factors have contributed to the decrease in the number of coal dealers in recent years. Competition has been keen but the main reason has been inadequate dealers' margins. These were such that no provision could be made for depreciation with the result that plant and equipment deteriorated to the danger point.

Early in 1943 the Wartime Prices and Trade Board, after conducting an audit of dealers' books, allowed an overall

price increase, effective May 18, 1943, of 25¢ a ton on all domestic fuels with an additional 50¢ a ton charge for bagging. Dealers claim that had not this increase been allowed there would have been a break-down in the fuel delivery system, with its attendant hardships on the consuming public.

Both Inland Yards and Docks Necessary

Experience has shown that both the dock companies and the inland yards with rail sidings are necessary parts of Greater Toronto's fuel distribution system. The fact that these yards are located in strategic positions throughout the city and district was shown to be of very great importance in serving the public during the delivery crises arising in the war years. The dock companies during the past 15 years have become solidly established and fully equipped. By guaranteeing, through their stock piles, an additional supply of fuels throughout the winter and providing a source from which delivery can be quickly made by trucks to areas within 25 miles of the city in all directions they have become important elements in the fuel supply system.

Much of this brief has dealt with the tonnage handled over the docks of Ontario and particularly those serving the Toronto area. We would like to emphasize equally the importance of the inland yards of the Greater Toronto area and those of other Ontario communities which are served by the two Canadian railway systems. In the Greater Toronto area it is roughly estimated that in normal times about one half of the domestic tonnage is imported by rail and delivered to the inland Toronto yards.

The demand for anthracite has increased in the recent war years because of the higher purchasing power of the public, and in this period a sizeable portion of Toronto's domestic fuel supply has come in by rail and been distributed through the inland yards. During these years the inland yards have fully demonstrated their ability to meet any emergency that may be thrust upon them.

(Page 4611 follows)

The Toronto Coal Exchange

In the war years, fuel dealers co-operated in the formation, operation and financing of the Toronto Coal Exchange, an organization of the coal distributing interests of the city and district formed at the suggestion of Coal Control authorities in 1943 to help iron out distribution difficulties growing out of shortages of manpower and equipment and to help solve other problems resulting from the war. The directorate of the Exchange includes representatives of the City of Toronto, National Selective Service, Transit Control, Coal Control, labour unions, the Provincial Department of Labour and the Board of Trade, as well as fuel dealers representing every coal association in the city. The Exchange has worked in very close co-operation with the Coal Control authorities. When delivery difficulties and shortages began to multiply in 1943, municipal authorities were deluged with inquiries and complaints, and coal dealers were also, to such an extent that there was serious interference with their work of securing and delivering fuel. Then Coal Exchange, when it was organized, took over all this load of detail. Measures it initiated to conserve manpower and equipment included re-allocation of customers' accounts among dealers, pooling of transport and haylage facilities, operation of a hired-truck pool, and seeing that new arrivals in the city were able to get fuel supplies. As a branch of National Selective Service, the Exchange issued all work permits and separation notices for drivers, yardmen and helpers. All orders for help were placed with and filled through it, and it handled all applications for military deferments.

BY THE CHAIRMAN: How is it financed?

MR. PATTON: It is financed by fees from the members, based on sales.

Q And does Selective Service and this Government Department help to finance it?

A No.

BY MR. FRAWLEY: They get free seats?

A They get free seats.

Q And a free vote?

BY THE CHAIRMAN: Is it a war thing entirely? Is it going to continue now in peace time?

A Well, it is hard to foretell the future. It may continue.

Q It is still functioning?

A It is still functioning, very much.

MR. PATTON continues brief:

Supply and Delivery Difficulties

A tremendous load was placed on the Exchange following the big blizzard of December 12, 1944, which tied up traffic for several days in the Toronto area. In the three and a half months from that date to March 31, 1945, some 85,000 original telephone calls were handled, over 95% of which complaints were satisfactorily dealt with. In every case each original call was followed by at least one call-back, and in some cases, as many as four. In the peak period the Exchange operated 14 trunk telephone lines together with a number of extensions, with a staff of 20 to man them. Two or three people were employed handling personal counter-calls, which averaged 400 daily during this period.

When the big storm broke on December 12th, 1944, the Exchange was able, through the prompt co-operation of four of its member companies, to place paper bags of fuel in strategically located fire halls at once, and within three days had placed such emergency supplies in all 26 fire halls throughout the city. Householders, when unable to get fuel deliveries as required, went to these fire halls and secured the emergency fuel to tide them over until their regular deliveries arrived. The Exchange centralized and looked after these bagging operations. All told more than 53,000 bags of this emergency fuel were distributed. This service was provided by the Fire Department without charge and by the Coal Exchange without profit.

BY THE CHAIRMAN: Just one more question, I hope you don't think I am too inquisitive. Those government departments, I suppose they are parties to this brief, are they?

A No, I wouldn't say that.

Q Well, did their members discuss this brief?

A Just the membership of the Coal Association.

Q Well, you see they are members?

A Well, they are on the directorate. I suppose they are also members in a technical way.

BY MR. FRAWLEY: I suppose this brief was gone over in draft form by the Toronto Coal Exchange?

A Oh yes.

Q Did those government representatives sit in at a meeting at which this brief was discussed?

A No. As far as I know, no.

BY THE CHAIRMAN: I don't think they can be dissociated from it.

A I would consider them to be more in the nature of ex-officio members.

BY THE CHAIRMAN: That is the most powerful man on a directorate.

MR. PATTON continues brief:

Yards Remained Open at Night

Similarly, in the winter of 1945 the inland yards remained open at night while difficult delivery conditions continued in order to enable householders to come and get small emergency supplies. The widespread location of these yards, each strategically placed and each serving its own particular community, was an important factor in quickly relieving the emergency. The Toronto docks, on their part, had reserve supplies of fuel for the dealers which filled the breach when supplies failed through regular sources by reason of traffic congestion and short supplies at the mines and coke ovens.

War Shortages Compelled Mixing

During the past few years of war, the demand for coal became so heavy in Ontario that it was necessary to make every available ton go as far as possible. In fact, the need for domestic fuel became so great, that some companies in the United States started to reclaim coke from old waste banks or piles which had been discarded years ago. This coke was re-screened and some attempt was made to remove impurities. Substantial quantities of it were sold to eke out the supply of better grade fuels. Use of fuel of this type in mixtures tended to lower the general quality of domestic fuels, although the need for such action cannot be gainsaid.

BY MR. FRAWLEY: This reclaimed coke was sold at the same price as first class coke, I understand. Was that so in the Toronto area?

A Yes.

Q By orders of Coal Control and the Prices Board it commanded the same price as first class Lasalle Coke?

A Yes.

Q Or they don't sell Lasalle coke in Toronto?

A I don't think there is much of that goes in.

MR. PATTON continues brief:

One of the reasons for the heavy demand for coal was the influx of thousands of people from farms and rural districts into the cities to work in war plants. Though these people had been accustomed to using wood, they became coal consumers immediately upon taking up residence in the cities. This, together with the sharp falling off in imports of Welsh domestic coal from Great Britain and the taking off the domestic fuel market for use in the steel mills, of coke, made the fuel situation very serious.

There was also a serious loss in production owing to many miners being taken into the armed forces. Sporadic strikes which, although of a temporary nature lasting only from a few days to a few weeks, likewise had a serious effect on coal production.

In normal times, great care was always exercised in preparing the coal and all impurities were taken out before shipment, but with a tight mine labour situation and not enough men to operate the tipples efficiently and with an extra heavy demand for coal, which made it imperative that much more coal go through the tipples even though there were fewer men to take out the impurities, a poorer quality of coal resulted.

Under these circumstances, the Government found it necessary to insist on a mixture of domestic fuel to make available supplies go as far as possible. It was this necessary action, together with the lack of proper preparation due to labour shortage and increased demand, which caused the deterioration in quality of domestic fuel.

Practically all United States anthracite coal brought in was up to pre-war standard, but this standard could not be maintained when inferior fuels were mixed with it. Although these difficulties are likely to obtain throughout the present fuel year, it is fully expected they will disappear next year with an easing labour supply. Consumers are likely then, on account of keen competition, to get better quality coal than before the war.

Switching Charges

A factor operating to the disadvantage of the inland yard dealer is the railways' charges for switching service from Toronto docks to inland yards. In most centres similar in size to Toronto, the service is performed for 40 to 50¢ a ton, whereas the rates in Toronto are 80¢ to 90¢ per ton. Until recently they were \$1.25-\$1.35 per ton but were reduced on complaint being made.

BY MR. FRAWLEY: I would like to understand that a little

better. What would be an example of an inland yard with regard to Toronto docks?

A It might be any distance from the docks--3 miles, 4 or 5 miles from the docks.

Q But still in the city of Toronto?

A Yes.

Q One of the railways would have a yard and it is supplied from the docks?

A Partially.

Q That is what you call an inland yard?

A I think it says here the average distance is around 6 miles.

Q What purpose do those yards serve?

A They are dealers' yards.

Q But these very efficient docks of yours, why couldn't the supplies be obtained from the docks and cut down extra handling?

A I don't know that ----

Q Well, that is something I want to discuss with you afterwards anyway, so continue..

MR. PATTON continues brief:

On occasions when this matter has been discussed with the railways, they have advanced the explanation that the Toronto terminals have a high operating expense, but in view of the fact that coal is hauled from Sarnia to Toronto for 85¢ per ton and from Erieau to Toronto for 85¢ per ton, and in the latter case the rate is split between two railways, so that it is not likely the delivering railways get more than 65¢ for a haul of approximately 150 miles, it is difficult to understand why a charge of 90¢ should be made for a movement in Toronto that involves an average haul of six miles from dock to dealers' yards. This is a matter which, in our opinion, should be investigated by the Board of Railway Commissioners.

BY MR. FRAWLEY: Isn't the very best way for the Board to investigate it on complaint of the Toronto Coal Exchange?

MR. PATTON: That is the way the action would be initiated.
(Continues brief):

The Role of the Wholesaler

The wholesaler plays a very essential role in the distri-

bution of fuel in Ontario. At the present time only a relatively small proportion of the tonnage distributed is sold direct by United States mine operators or United States wholesalers to consumers and the difficulty in getting supplies during the war years by any one not having adequate and dependable sources of supply has increased the importance of the Canadian wholesaler. Canadian industrial plants seemed to think, and quite rightly, that a Canadian distributing company would be more likely to look after their needs than a United States operating company or wholesaler with scores of big accounts clamouring for coal. The Dominion Government also encouraged this trend to Canadian wholesalers by giving many large coal users the thought that it would be advisable to assist the exchange situation by keeping Canadian money in Canada through payment of commissions to Canadian companies rather than to United States companies.

Aside from the fact that Canadian industries like to buy from Canadian companies, the Canadian coal wholesaler performs valuable services for his customers. He has made large investments in a chain of docks and in dock equipment extending from the St. Lawrence to the head of the Lakes to which a large part of the coal used in this area is brought in during the season of navigation and stored for consumers for delivery after the season of navigation has closed. During the war period this proved of tremendous advantage to Canadian retailers and consumers since this stored coal lasted us through periods of transportation tie-ups, transportation embargoes and a number of other emergencies. Furthermore, the Canadian wholesaler is fully acquainted with market conditions, with the numerous sources of supply and with the complex freight rate structure forming an important element of cost, and can give his customers the benefit of this specialized knowledge. The docks also give a lot of employment, pay large rentals to harbor authorities and several hundreds of thousands of dollars in

taxes to local communities.

Since the central Canadian area is not so highly industrialized as many parts of the United States, American mine operators found it quite expensive to send men up into this territory to make sales in competition with Canadian wholesalers who could spread their costs over many lines of coal and offer a full line to customers. These factors have caused United States mine operators gradually to withdraw from this field except for some of the large accounts, and to use Canadian wholesalers as their media for effecting sales.

BY MR. FRAWLEY: In addition to that you find the two railways of Canada, with coal purchasing departments, using Canadian wholesalers to buy their coal?

A Yes, that is a fact.

MR. PATTON: I should mention here that we insert at this point charts showing the trend of prices on the different kinds of fuel used in Toronto over the years 1922 to 1944.

BY COMMISSIONER McLAURIN: Consumer prices?

A Yes.

Q Retail consumers' prices?

A Yes. It is indicated on each table.

BY MR. FRAWLEY: Looking at your charts I don't see anything here for the bituminous that comes in, which is the biggest thing that comes in from the United States?

A These are domestic prices. Pocahontas is bituminous.

Q Yes, but you are treating it here as a domestic fuel, aren't you?

A Yes.

Q Don't you think that you could supplement these charts by something on the coal that really moves in in large volume?

A Probably we could.

BY COMMISSIONER McLAURIN: It is harder to fix prices for industrial coal. It is sold at different prices. The chart would be pretty weighty, wouldn't it?

A It is hard to get a representative figure.

BY MR. FRAWLEY: We have other places where we could get the figures, of course.

BY COMMISSIONER McLAURIN: How would you make these charts? In the domestic field the price is standardized, but in the industrial field it is not. I don't know how you would make a chart.

BY MR. FRAWLEY: As long as we had the information I wouldn't care if it was in a chart or not. It would be interesting to know just what these variations are, and how there can be such variations.

A Conditions of sale are different, physical conditions.

Q Well, that is the actual business of Canada, industrial coal, so far as volume is concerned.

BY COMMISSIONER McLAURIN: I know, but you started off talking about a chart.

BY MR. FRAWLEY: I quite agree; I don't see how we could get a chart.

BY COMMISSIONER McLAURIN: If further information is required we can get it from other sources.

BY MR. FRAWLEY: I don't suppose this Coal Exchange has it?

BY THE CHAIRMAN: I wouldn't think so, because that is one of the things we kept off the record in the province of Nova Scotia--sale prices.

MR. PATTON continues brief:

Tariffs on Solid Fuels

Importations of coal and coke into Canada are subject to the payment of customs duties. Imports from the United States have also to pay an exchange premium more or less arbitrarily set by the Foreign Exchange Control Board of 11% of the value for duty, which to all intents and purposes is just an additional duty. Until June 1st last a war exchange tax of 10% of the value for duty was also collected.

BY COMMISSIONER McLAURIN: Would there be any coke imports?

MR. PATTON: Well, not very much.

BY COMMISSIONER McLAURIN: A pretty hard thing to bring over water?

MR. PATTON: Yes. (Continues brief):

The present rates of duty on anthracite coal, which have been in effect since 1932, are free, 50¢ and 50¢ per net ton, according to whether the importation is under the British Preferential, Intermediate or General Tariff rates. Importations from the United States take the Intermediate Tariff rate of 50¢ per ton. From 1897 to 1932 anthracite, anthracite dust and coke were free of duty under all tariffs, but in the last mentioned year, as a result of the Ottawa Agreements, duties of 50¢ a ton under the Intermediate and General Tariffs were imposed. Duty free entry was accorded under the British Preferential tariff. At the same time a duty of \$1 a ton was imposed on coke imports, except those coming under the British Preferential tariff, which are free of duty.

BY THE CHAIRMAN: They rather changed the meaning in 1932 of preferential tariffs. In the old days they were never considered to mean that the people who imported from commonwealth countries would give a free tariff to British goods, but would give a lower tariff than they charged on other goods. Here you are talking of anthracite coal coming from Great Britain being on the preferential tariff. You see what I mean? It doesn't carry any tariff at all.

MR. PATTON: It might not carry a tariff, but it carries a preference.

BY THE CHAIRMAN: It can't be a preferential tariff.

A Yes, that is the way it is termed.

Q I know. I am not criticizing you at all for it, but I am just wondering whether or not it was ever intended when preferential tariffs to Great Britain were established away back previous to 1900.

A Probably this particular use of it was not intended at the time of its origination.

Q Because it is not a preferential tariff, it is a free tariff.

A It is a free tariff from Great Britain, but if at the same time you put on duty from other countries, it is a preference.

Q Of course it is a preference, but I don't think it is fair to put that kind of a commodity in a preferential tariff.

A It is just a question of terminology. (Continues brief):

Bituminous coal and lignite (including anthracite in sizes smaller than barley) is dutiable at rates of 35¢, 75¢ and 75¢ a ton. In 1879 bituminous coal, as in fact all coal, was dutiable at 50¢ a ton. In 1897 the duty on bituminous, round and run-of-mine, was changed to 53¢ a ton, whilst slack paid a duty of 20% ad valorem but not exceeding 13¢ a ton. In 1906 this was changed to 35¢ 45¢ and 53¢ a ton for round and run-of-mine, while slack was made dutiable at 10¢, 12¢ and 14¢ a ton. That continued until 1925, when the duties were changed to 35¢, 35¢ and 50¢ a ton, and they remained at these figures until 1931, when the present rates became effective.

The removal of customs duties, exchange levies and other impositions on United States fuels would operate to the advantage of industrial and domestic users in central Ontario and would support the coal trade generally in its competition with oil and gas. However, we do not feel competent with the knowledge at our disposal to pass judgment on matters of this kind, which have such far reaching implications and affect the whole national economy in such a fundamental manner. We, therefore, make no recommendations in regard to them.

The coal trade of Ontario is apprehensive particularly of oil competition in the years immediately ahead, and this competitive condition will become more serious if and when subsidies on domestic fuels are removed.

BY THE CHAIRMAN: I think you did; perhaps you didn't intend to. When you say you make no recommendations in regard

to tariffs, I think if you will look over the first part of your brief, Export Trade and that sort of thing, that you made a veiled recommendation there.

A We make no specific recommendations.

Q No specific; I can see that. Do you think it is altogether fair in our tariff structure that British anthracite should come in free and American anthracite, both of which after all are external trade, should come in on a duty of 50¢ per ton?

A I have no instructions on a point like that at all.

Q You are not a politician?

A No.

Q No, but dealing with the coal trade I would think you would have some opinions, or your board would have some opinions on that?

A We are merchandisers of coal and get it where we can buy it to the best advantage.

BY MR. FRAWLEY: Doesn't the Dominion Coal Company belong to the Toronto Coal Exchange?

A It does.

Q Is the Dominion Coal Company supporting what is in this brief?

A Well, they are a member of the association. They have had an opportunity to express an opinion on it if they wanted to.

Q Do they have a member on the board?

A I think not. I beg your pardon; they are not members; I understood they were.

BY THE CHAIRMAN: Mr. Appleton is here. Are you a member of this?

MR. APPLETON: No.

BY THE CHAIRMAN: I don't think any of the larger coal companies are, Mr. Craig, are they?

MR. W. LLOYD CRAIG: No.

BY THE CHAIRMAN: I think there would be a different complexion on this brief if they were.

MR. PATTON continues brief:

Crude oil presently is admitted into Canada duty free. We strongly feel that this competition should bear the same duty levies as domestic and industrial fuels. If and when price subsidies are removed by the Commodity Prices Stabilization Corporation, perhaps the whole matter of tariffs and other levies can be reviewed by the Tariff Board and the Minister of Finance.

BY MR. FRAWLEY: Let me stop you there. That is plainly a recommendation, isn't it, and one I don't think you should be shy about. Crude oil comes into Canada free of duty, is that right?

A Yes.

Q And it is made into fuel oil in Toronto and other refineries in the Toronto area and then it is sold in competition with your product?

A Yes.

Q Have you any views to express, when the coal that you bring in is subject to a duty?

A I have no recommendations other than what is said here.

Q You will stick to your brief?

A I will stick to the brief.

Q That is your suggestion, that there should be a duty put on the crude?

A The indication is there. We suggest that the whole matter be reviewed.

BY COMMISSIONER McLAURIN: I take it the Toronto Coal Exchange is willing to have the whole tariff question reviewed, whether it is on furniture from Grand Rapids, Michigan?

MR. PATTON continues brief:

Subventions

Subventions on coal are paid under orders in council the texts of which are reported as an appendix to Coal Statistics of Canada published by the Dominion Bureau of Statistics.

The tonnage of coal assisted by subventions in Canada and the amounts paid out in such subventions are shown in the tables which follow.

COAL MOVED UNDER ASSISTED RATES
IN CANADA, 1937-40, INCLUSIVE

<u>Calendar Year</u>	<u>Net Tons Moved</u>	<u>Cost of Assistance Total</u>	<u>Per Ton</u>	<u>Man-Days Represented by Assisted Tonnages</u>
1937	2,637,345	\$ 2,449,588	\$.93	1,129,112
1938	2,030,536	1,851,292	.91	841,235
1939	3,403,581	4,092,399	1.20	1,375,769
1940	3,008,290	4,315,590	1.43	1,213,090

TONNAGE AND COST TO GOVERNMENT
OF NOVA SCOTIA COAL MOVED UNDER ASSISTED RATES,
1937-1940, INCLUSIVE

<u>Cal- en- dar Year</u>	<u>TO QUEBEC</u>		<u>TO ONTARIO</u>		<u>TOTAL</u>	
	<u>Net Tons Moved</u>	<u>Cost to Gov't.</u>	<u>Net Tons Moved</u>	<u>Cost to Gov't.</u>	<u>Net Tons Moved</u>	<u>Cost to Gov't.</u>
		\$		\$		\$
1937	825,555	497,349	1,083,266	1,288,443	1,908,821	1,785,792
1938	687,622	443,529	689,493	809,784	1,377,115	1,253,313
1939	1,016,522	656,436	1,404,172	2,331,968	2,420,694	2,988,404
1940	1,209,352	1,473,806	731,218	1,169,561	1,940,570	2,643,367

SUBVENTIONS PAID ON WESTERN COAL MOVED INTO ONTARIO
1928 - 40 INCLUSIVE

<u>Calen- dar Year</u>	<u>Net Tons</u>			<u>Amount of Subventions</u>		
	<u>From Alta.</u>	<u>From B.C.</u>	<u>From Sask.</u>	<u>From Alta.</u>	<u>From B.C.</u>	<u>From Sask.</u>
1928	32,100	-	-	\$191,323.57	-	-
1929	37,115	-	-	213,136.73	-	-
1930	33,049	-	-	188,008.81	-	-
1931	23,886	-	3,000	128,325.55	-	1,886
1932	20,015	-	4,025	98,925.87	-	2,493
1933	44,741	4,431	1,212	104,745.76	8,863.41	723
1934	93,784	16,136	-	214,981.06	32,360.89	-
1935	122,347	24,698	-	276,514.23	49,251.92	-
1936	133,225	36,118	-	286,732.56	67,138.09	-
1937	133,827	34,013	-	280,283.58	59,175.61	-
1938	143,900	17,588	-	303,017.29	31,318.20	-
1939	235,561	98,815	1,019	499,669.15	185,141.16	993
1940	472,425	165,749	22,356	985,737.48	321,728.72	21,600

AMOUNT PAID OUT IN SUBVENTIONS ON COAL SHIPPED INTO
ONTARIO AND QUEBEC FOR RAILWAY USE, 1937-40, INCL.

Calendar Year	To Ontario		To Quebec	
	Net Tons	Cost	Net Tons	Cost
1937				
From Alta.	70,238	\$ 128,037.71	-	\$ -
" B.C.	13,279	23,721.17	-	-
" N. S.	235,291	274,363.02	384,401	47,185.23
	<u>318,808</u>	<u>426,121.90</u>	<u>384,401</u>	<u>47,185.23</u>
1938				
From Alta.	67,205	121,693.15	-	-
" B. C.	17,236	30,715.55	-	-
" N. S.	151,578	142,728.19	311,409	43,525.35
	<u>236,019</u>	<u>295,136.89</u>	<u>311,409</u>	<u>43,525.35</u>
1939				
From Alta.	142,782	268,921.47	-	-
" B. C.	82,347	156,417.65	-	-
" Sask.	1,019	993.00	-	-
" N. S.	465,578	864,048.55	604,512	243,944.18
	<u>691,726</u>	<u>1,290,380.67</u>	<u>604,512</u>	<u>243,944.18</u>
1940				
From Alta.	313,111	594,177.15	-	-
" B. C.	137,903	270,500.06	-	-
" Sask.	21,990	21,268.00	-	-
" N. S.	155,755	288,874.80	90,432	36,616.16
	<u>628,759</u>	<u>1,174,820.01</u>	<u>90,432</u>	<u>36,616.66</u>

The Dominion Government has for many years assisted the movement of Maritime Province and Western Canada coals to central Canada. Subventions and bounties of this kind, a perusal of the budget speeches and debates in Parliament shows, are usually initiated with the intention that they are given as a temporary aid to industries that have promise later of becoming self-sustaining, and will be withdrawn when that stage is reached. Almost invariably, however, this growing-up period is delayed and the aid is usually continued longer than at first anticipated.

BY MR. FRAWLEY: Just like the furniture factory in Stratford, I suppose?

MR. PATTON continues brief:

In the case of Maritime Province coal it would seem, in view of the increasing cost of mining as the workings, now 4 miles out under the ocean, extend still further seaward, that the fact may as well be faced first as last that subventions must be continued indefinitely if present central Canadian markets are held, and indeed must be increased if, as suggested by

the Nova Scotia coal mining interests, these markets are to be extended farther and farther westward.

Here again, however, as in the matter of Customs tariffs, the continuing or increasing of subventions on either Western Canada or Eastern Canada coals involves such fundamental matters of national policy and the balancing of economic effects as between large sections of Canada that we do not feel qualified to express an opinion either for or against.

BY COMMISSIONER McLURIN: Now let me stop you there.

That is just leaving us where possibly the work of this Commission begins. That is probably why this Commission was appointed and that is probably one of the matters that we have got to grapple with. Now are you just going to leave us where the problem starts? You are a coal industrialist. You have got this problem to struggle with. You say, "Here it is." Well, we know that when we got on the Coal Commission. What we would like is help from all those engaged in the coal industry.

MR. PATTON: We realize that, but we are in a peculiar position also by reason of the opinion of the ranks of the Exchange. We can't come out with an opinion one way or the other.

BY COMMISSIONER McLURIN: It is one of those subjects that has to be grappled with and the Commission will have to make some specific recommendation and be able to base it on proper facts.

BY MR. FRAWLEY: I think if you have a divided opinion in your Exchange it would have been well to put in an Appendix A with pro views, and Appendix B with con.

MR. PATTON continues brief:

Present Supply Sources Satisfactory

The fuel dealers of Ontario feel they have been accorded very fair and considerate treatment before and particularly during the war years by their United States suppliers and would favour the continuance of conditions which will permit them to

carry on their business with their usual sources of supply.

All of which is respectfully submitted.

T O R O N T O C O A L E X C H A N G E

H. W. WHITE, Chairman
H. G. RATCLIFFE, Vice-Chairman
E. R. LOCKYER, Secretary
F. S. WINSTONE, Treasurer.

BY THE CHAIRMAN: There was an increase in coal allowed, I believe, by Coal Control during the war?

MR. PATTON: An increase in price, 25 cents.

Q Did that increase in price in Toronto synchronize with the formation of this organization here.

A No, I don't think so.

BY COMMISSIONER McLAURIN: This was an additional allowance to distributors for the service they were performing in distributing coal, was it not?

A It was an additional allowance, yes.

Q That is what it was for, I mean? The price of coal varied and the Commodity Prices Stabilization Board had to take up the real slack?

A By a very narrow margin.

BY THE CHAIRMAN: What struck me was that this increase took place just about the time your organization was set afloat? I did have a note here as to the year.

BY MR. FRAWLEY: It was formed at the suggestion of the Coal Control authorities? You were actually formed at the suggestion of Coal Control in 1943?

A Yes.

BY THE CHAIRMAN: The same as the great big organization in Canada, at the same time?

BY MR. FRAWLEY: Was that suggested by Coal Control?

BY THE CHAIRMAN: Yes.

MR. PATTON: The price increase was effective May 18, 1943, and the Exchange was formed in October.

BY THE CHAIRMAN: There was perhaps one other question, a question

about the matter of export trade, the great necessity of keeping costs of manufactured goods in Canada down, in which of course coal enters into the whole thing, but after all, what is the best market for Canadian manufactured goods? Is it the home market or the market abroad, outside of wheat?

A I would think that the home market takes the greater volume of our manufactures.

Q Yes. Well now, if you want to get cheaper coal, for example, that is going to interfere with the men who are in the coal mines and the people who are digging coal, and how do you expect that Nova Scotia, for example, and Alberta and other coal regions are going to buy your manufactured goods in this place if you are not going to allow them to get the best price they possibly can for coal, or as a matter of fact be willing to pay a little more for your coal?

A I would say personally that was a matter of balance that would have to be figured out, considering the number of people involved.

Q The number of people involved, what do you mean by that?

A The number of people in those industries, for instance the coal industry, that are dependent on selling their product.

Q Yes?

A I have no instructions.

Q I mean to say, wouldn't it be better for the economy of this Country, the financial economy of this country, if manufacturers would try to buy the things that are necessary in the manufacture of their goods on the home markets?

A Yes, if the prices are reasonably near the prices they could buy for elsewhere. We heard that same thing discussed this morning in the railway brief. The railways concerned this morning were willing to help the local industry.

Q Has your Exchange figured out what the manufacturers of this country who use coal entirely in their output must get their coal for, what they must have bought their coal for, pre-war

days, in order to sell their goods at the price at which they were selling?

A No, I don't think we have.

MR. PATTON Sworn by the Chairman as to facts, the opinions expressed and the information given to be founded on a reasonable basis.

EXAMINED By Mr. Frawley.

Q Describing the docks, these very efficient docks, and they seem to be so--now what I am concerned about is why you have to have so many yards when you have those efficient docks. Is there any possibility of eliminating some inefficient or unnecessary handling and re-handling of the coal by making more use of the docks as a source of distribution?

A I think the answer is, competition will take care of that.

Q How do you mean, competition?

A One source of supply has too high costs, can't compete with the other, he will either have to compete with the other or go out of business.

Q You mean to say if the yards were not efficient and well operated they would go out of business?

A They would go out of business. A lot of them did.

Q If there was not a place for them you say competition would take care of it? The docks in any event are not used as places where dealers send their trucks to get their supplies?

A Oh yes, they are. They partially use the docks.

Q I understand that on the Dominion Coal Company's Windmill dock a great many dealers send their trucks direct to Windmill dock and take the coal off and deliver it into the consumers' homes. Isn't that done in Toronto at all?

A That is done.

Q And then you have in addition to that yards where coal is taken from the docks and stored and is delivered out by trucks to the consumer?

A Yes.

Q And your answer is if there is double handling in that it must be sound or competition would eliminate it?

BY COMMISSIONER McLAURIN: You are speculating on it. Now is there somebody here who can tell us whether the yards are in business?

BY MR. FRAWLEY: Mr. Patton says they are.

BY COMMISSIONER McLAURIN: There is a group of coal men here from Toronto. They will tell us what service the inland yards give.

BY MR. FRAWLEY: It is understood these gentlemen are here to answer in case Mr. Patton is not correct or insufficiently answers. I am making the suggestion that Mr. White might answer the question.

MR. H. W. WHITE: The answer, in addition to what Mr. Patton has given you, is that there are a thousand different grades of coal that aren't in the hands of a certain few people, they are spread around amongst a number of people, and each dealer sells his particular grade of coal. He has to have a place for it, and since he hasn't got a dock he has to have a yard. Furthermore he has a community to serve. A person calls up on the telephone at six o'clock at night or Sundays, and the docks are closed, and wants half-a-ton of coal, that is right there for him.

BY COMMISSIONER McLAURIN: Just like a corner grocery.

MR. WHITE: The yard serves that particular community. He goes down to the dock for other grades of coal that he hasn't got room in his yard to store.

BY MR. FRAWLEY: You say there is nothing unsound or inefficient or wasteful in that kind of distribution?

A Well, it is not wasteful inasmuch as it serves its purpose. In comparison of prices there may be something wasteful, but the service that is involved makes it a necessary function.

BY MR. FRAWLEY: Now, Mr. Patton, I don't quite know what you mean in this reference on page 44 to what the Dominion Government has done. "The Dominion Government also encouraged this trend"--that is the trend of the development of the

wholesaler--"by giving many large coal users the thought that it would be advisable to assist the exchange situation by keeping Canadian money in Canada through payment of commissions to Canadian companies rather than to United States companies." The United States companies have to get the dollars ultimately. What saving is there there?

MR. PATTON: They don't get as many dollars.

Q Don't get as many dollars?

A No.

Q They get all the dollars they need to pay them for their coal. What more dollars could they possibly hope to get?

A If they sent a salesman around here calling on these accounts they would have to include his expenses.

BY COMMISSIONER McLAURIN: Well, did the Dominion Government bring that about so much as just the hard reality of selling the coal the cheapest way and getting the maximum amount of profit?

A I am told that quite pointed reference was made to that by Government authorities; do what we could to keep the money in Canada.

MR. WHITE: I think the fact is that salesmen came out from Pittsburgh and make the round in Canada during the course of the week and came back in three weeks' time and so on. The expense involved is time spent in Canada and their salary in Pittsburgh; they spent their money in Pittsburgh, but under the present set-up these companies have established offices in Toronto, where they employ staffs of 20, 30, 40 people, all of whom are being paid out of the profit on the distribution of coal, so that you have established employment those these offices in Canada, whereas at one time the work was done by salesmen from their home office.

BY MR. FRAWLEY: Was it the Dominion Coal Company that brought about the establishment of the Pittsburgh Coal Company in Toronto?

MR. PATTON: The Dominion Coal Company?

Q The Dominion Government? Did the Dominion Government make the suggestion that resulted in the Pittsburgh Coal Company establishing its Canadian subsidiary?

A I understand so.

Q Mr. Grayburn, can you add anything to what has been said for the reason of the establishment of subsidiaries in Canada?

MR. GRAYBURN: Well, in our case we started off here with a salesman coming over from Buffalo. He got selling coal here, found there was a good market for it. It expanded. It is certainly far better than having a man come from Buffalo.

Q But the question of spending more United States dollars when a person bought Pittsburgh coal from the American company than would be spent by buying it in Canada, did that enter into it?

MR. GRAYBURN: I don't see why it would. I mean, coal has got to be paid for in the States eventually.

Q So far as you know, did the Dominion Government have anything to do with your company establishing its Canadian subsidiary?

MR. GRAYBURN: Certainly not.

BY COMMISSIONER McLaurin: That is wrong then, Mr. Patton?

MR. PATTON: According to what I am told there was an influence there intended to throw Canadian business to Canadian wholesalers.

Q Who told you?

A Mr. Hotchkiss was the man who gave me the suggestion. Let me develop it. If a prospect indicates that he would rather buy from a Canadian wholesaler rather than direct from an American company, it is going to have some bearing on how that coal is going to be sold. In a few instances it may have no influence whatever, but a volume of that sentiment piling up, it does have an influence.

BY COMMISSIONER McLAURIN: Not the Dominion Government? The brief said the Dominion Government.

BY MR. FRAWLEY: You did say some officials of the Dominion Government, and while we are here can you tell us who the officials were?

MR. PATTON: I have no information as to who the officials were. I know the officials of the banks are all officials of the Foreign Exchange Control.

Q The Pittsburgh Coal Company were here before the war, weren't they? When was your company established, Mr. Grayburn?

BY COMMISSIONER McLAURIN: Oh yes. We don't need to ask that, Mr. Frawley. The Pittsburgh Coal Company was here for 15 or 20 years.

BY DR. HOWLAND: He says the Government encouraged the trend.

MR. PATTON: The fact is that the trend has gone that way.

Some of our members seem to think that that was the influence.

BY COMMISSIONER McLAURIN: But the picture was pretty well crystallized many years before 1939, wasn't it?

BY THE CHAIRMAN: The thing I would be taking objection to, because I don't think you have information to substantiate it as far as I can see, is the statement that "the Dominion Government also encouraged this trend to Canadian wholesalers by giving many large coal users the thought that it would be advisable to assist the exchange situation by keeping Canadian money in Canada through payment of commissions to Canadian companies rather than to United States companies."

MR. WHITE: There is one other angle that I thought Mr. Grayburn might cover and that is that the Dominion Government did encourage the American companies to hold their exchange here in Canada when exchange rates were favorable and I think that developed into the establishment of accounting department in some of those American concerns, so that they grew, and have grown now to be well organized organizations on the same basis as any other company in Canada.

BY THE CHAIRMAN: I know, but they were organized in 1940, 1939, 1938, 1937.

MR. WHITE: Oh yes, there were times when exchange was quite improved before that,

Q Well, war exchange we are talking about now?

A Well, I am speaking about exchange when exchange was favorable, anywhere from 5 to 15 per cent, when it was favorable to us to hold that money here it was held here.

BY THE CHAIRMAN: If you notice the oath that we put to the witnesses here, they swear to the facts and that their information will be based on places that we can look to, if necessary, to substantiate what they say, and that their opinions will have a substantial basis. Now do I understand this witness to be swearing to that last item there that he has a fair basis of information in his possession?

MR. PATTON: I don't think it is necessary to have this sentence in at all to make the point. Some members felt that way and it was so expressed in the brief. It is a difficult thing to prove.

Q You see you are making a very serious statement here: "The Dominion Government also encouraged this trend." Now I would like to know how, put your finger on the department that did it, or something of that kind.

BY MR. FRAWLEY: We want everything brought out before this Commission, and if you can go back, four, five, ten years. You say Mr. Hotchkiss gave you that impression. You and Mr. Hotchkiss might think it important enough to go back and put your finger on something specific enough to say . . .

MR. PATTON: I don't think it is important enough.

BY THE CHAIRMAN: Well, if it is important enough to put in--do you want to withdraw it?

A Yes, I would withdraw it.

Q You must have thought it was important?

A I thought it was an influence, but if you don't consider it important . . .

Q I do consider it important, but what we are getting at is this, your basis for making that statement, and if you have no reasonable basis then you should cut it out.

A I have told you my basis for it.

Q Where did you get your information?

A I got it from Mr. Hotchkiss.

Q Are you here, Mr. Hotchkiss? Can you tell me that you got that from a Government official?

MR. HOTCHKISS: I think there is some misunderstanding about it in that it applies to the time since exchange was a factor during the war period and that the Fuel Board officials encouraged Canadian consumers to make their purchases from Canadian houses as the commission that was involved in that sale would be retained in this country, thereby retaining additional American exchange in Canada if they did so.

Q Well now, you see that was brought up by my fellow Commissioner. All those organizations, Canadian selling organizations, were in before the war, and the fact that the Dominion Government allowed them to continue doesn't say that they encouraged the trend.

MR. HOTCHKISS: They actually did encourage consumers after that time to make purchases from Canadian companies in preference to American, as the amount of commission was retained in Canada, and that was the object of that sentence.

BY MR. FRAWLEY: Now then, did that add to the number of existing Canadian wholesalers?

A I did not.

Q Mr. Patton, would you look at page 25, and this is something you can do and send it in to us. There is a reference there to U.S. federal transportation tax of 4 cents per net ton, U.S. funds, to be added on coke originating in Buffalo and Detroit. Would you mind just double-checking that and writing

the secretary if that is so?

MR. PATTON:

A Yes.

Q Then I just want to emphasize your position in one other matter and that is that you do find, do you, that fuel oil is a serious factor in competition in the Toronto area?

A I think it would be correct to say it is becoming a serious factor, it is growing. It is not so much now but it is growing rapidly. I understand there are a large number of applications in for oil-burning equipment which at the present time cannot be filled.

Q That is what we are told all over central and eastern Canada. The only recommendation you make: "We strongly feel that this competition should bear the same duty levies as domestic and industrial fuels." You mean by that that it should carry a duty somewhat comparable to the 75 cents a ton on United States bituminous coal? Is that the submission you are making to the Commission?

A No, I don't make that submission.

Q Well now, how else are we to read it? All I was doing was taking what I believed was the obvious inference.

A You took bituminous coal, whereas oil burners are used mostly in domestic heating.

Q Well then, would you be satisfied with the duty of 50 cents a ton that is levied against anthracite coal?

A I think the situation should be reviewed and have them put on an even basis, on a competitive basis, as far as tariff is concerned.

Q And you would favor a levying of the duty on the crude oil rather than removing the duty on the coal?

A I have no instructions on that point at all.

BY COMMISSIONER McLAURIN: Just a case of two wrongs.

BY MR. FRAWLEY: As president of the Exchange, Mr. White, have you anything to add to what Mr. Patton says?

MR. WHITE: Nothing more, except to say that so long as competition is equal we are not concerned whether the duty is on or off. If it is on one it should be on the other, but if it is off one it should be off the other.

Q ~~At~~ the moment it is on coal?

A Well then, it should be on oil.

BY COMMISSIONER McLAURIN: Don't you think a better position would be, instead of making two wrongs you should strive to get it off the thing you don't like instead of putting it on something else?

BY THE CHAIRMAN: He may not think it is wrong.

BY MR. FRAWLEY: And so far as subventions are concerned you think the growing-up period down in Nova Scotia has been somewhat delayed? You say that, Mr. Patton?

MR. PATTON: No, I didn't make any representations regarding that.

Q Well, you say: "Almost invariably, however, this growing-up period is delayed and the aid is usually continued longer than at first anticipated."

A It started in 1924, I think it was. You can draw your own conclusions from that.

Q It was first talked about in 1928, I think; the first coal moved in 1932, but some of those infant industries in Ontario have been here a lot longer than that, have they not?

A To what do you refer?

Q I refer to the tariffs that were supposed to help the infant industry get operating, grow up.

A Oh, there are lots of cases of that.

Q There are lots of cases of delayed maturity among Ontario manufactures?

BY THE CHAIRMAN: Thank you, sir, for your brief.

4.00 P.M. - COMMISSION ADJOURNED UNTIL OCTOBER 10,
1945, at 10.00 A.M.

ROYAL COMMISSION ON COAL

OTTAWA, Ont.

Wednesday, October 10, 1945

VOLUME LI

WITNESSES:

Page

S. C. Welby 4638

Hamilton J. Stuart, K.C. 4715

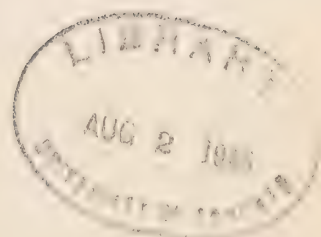
Prof. D. C. MacGregor 4725

EXHIBITS:

Page

No. 230 - Submission of Canadian National
Railways with reference to the
Purchase of Fuel 4638

No. 231 - Brief of 19 Canadian Importers
and Distributors of United States
Bituminous Coal 4715



THE ROYAL COMMISSION ON COAL

Ottawa, Ontario,
October 10th, 1945.

The Royal Commission on Coal convened at the Court Room of the Board of Transport Commissioners, Ottawa, Ont., on Wednesday, the 10th day of October, 1945, at 10:00 A.M.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman

Hon. Mr. Justice C. C. McLaurin, Commissioner.

J. J. Frawley, K.C., Commission Counsel

Robert D. Howland, Secretary

BY MR. FRAWLEY - Mr. Welby, the General Fuel Agent for the Canadian National Railways, will present that Company's brief, which is marked - EXHIBIT 230.

MR. S. C. WELBY then read Exhibit 230, as follows:

1. FUEL REQUIREMENTS

The Canadian National Railways operate almost 24,000 miles of railway, of which approximately 22,000 miles are located in Canada; serving the whole of the Dominion and forming what is, in effect, a double transcontinental system extending from the Atlantic to the Pacific. Climatic conditions under which the Railway operates include some of the most difficult in North America, sub-zero temperatures being commonplace in the winter, and blizzards and snow storms being of frequent occurrence. Under these conditions, in recent years, 80,000,000 tons of revenue freight and 35,000,000 passengers have been transported annually.

This transportation effort creates a constant and heavy demand for fuel for operating locomotives, shops and roundhouses; for heating passenger coaches, hotels, stations and offices; for bunkering steamships; for the protection of perishable goods; for cooking meals in dining cars and hotels, and for many other purposes. In view of the importance of this commodity to the

successful carrying out of its transportation responsibilities, the C.N.R. has set up a department under the jurisdiction of the purchasing Vice-President, whose sole function is to purchase and distribute the fuel requirements of the system.

In spite of blizzards, transportation breakdowns, interruptions in mine shipments, and other difficulties which are met from time to time, the fuel supply is so controlled that, at all times, when a fireman on a locomotive, an agent at a station, a chef on a dining car, or a blacksmith in the shops, or any other employee needs fuel in the carrying out of his responsibilities, it is immediately available.

The problem is complicated by the fact that parts of the line are 1,500 miles or more from the nearest Canadian coal mines and over 1,000 miles from United States mines; on which account coal frequently does not reach its destination until a month or more after it has been shipped from the mines.

In the twenty-five year period from 1920 to 1944, the average consumption of steam coal by the Canadian National Railways, and its subsidiary companies, as shown on Statement No. 1, was over 5,500,000 tons, of which Canadian Lines used an average of over 4,600,000 tons.

This twenty-five year period includes the ten high-traffic years 1920 to 1929; the ten depression years 1930 to 1939; and the five war years 1940 to 1944. The average annual consumption on Canadian Lines during these periods fluctuated considerably, as shown below:

Average 1920 to 1929	-	5,230,000 tons
1930 - 1939	-	3,475,000 "
1940 - 1944	-	5,625,000 "

In addition to steam coal, there is used an average of 250,000 tons annually of Alberta and Saskatchewan sub-bituminous and lignite coals; 100,000 tons of bituminous slack coal; 1,000,000 barrels of fuel oil; 20,000 tons of domestic and foundry coke; 5,000 tons of anthracite coal; a few thousand cords of wood, and

100,000 bushels of charcoal.

2. FUEL PURCHASES FROM CANADIAN MINES:

Due to its geographical position, coal is purchased by the C.N.R. from Eastern and Western Canada and from the United States. The policy of the Railway has been to use Canadian coal when obtainable, and wherever its use could be economically justified. Where doubt has existed, preference has been given to Canadian coal, which frequently has been used at times and places when other coals could have been obtained at lower costs. Statement No. 2 shows the origin of coal purchased from 1923 to 1944 for use on C.N.R. Canadian Lines.

These figures show a progressive increase in the proportion of Canadian coal purchased up to the outbreak of the war; after which event adequate deliveries could not be obtained from Canadian mines, and the Railway was therefore compelled to purchase substantially heavier tonnages of United States coal to meet its greatly increased wartime requirements. The increasing percentages of Canadian coal purchased, and the changes brought about by the war, are indicated in the following figures showing the average percentages of Canadian coal purchased for lines in Canada by five-year periods from 1925:-

1925 to 1929	-	58% Canadian
1930 to 1934	-	65% "
1935 to 1939	-	69% "
1940 to 1944	-	44% "

Under normal conditions, the C.N.R. purchases a little less than one-fifth of all the coal produced in Canada. In the twenty-two years ending with 1944, the average annual production of all Canadian mines was approximately 15,500,000 tons, and the average quantity taken by the C.N.R. was about 2,700,000 tons.

Statement No. 3 shows the tonnages taken from various provinces from 1930 to 1944. It will be observed that the bulk of the tonnage came from mines in Nova Scotia and Alberta, with

smaller quantities from New Brunswick, Saskatchewan and British Columbia. These figures are somewhat at variance with statements placed before this Commission by some of the Provinces concerned which, to some extent, may be due to the methods used by the Provinces in obtaining their statistics, which apparently do not always give a correct picture of deliveries to the Railways.

BY MR. WELBY - I may say that I understand that figures have been placed before the Commission, and they may agree with the figures which we give in our statements.

MR. WELBY continues brief

The total amount paid by the C.N.R. for Canadian fuel in the twenty-two years ending 1944 was over \$250,000,000.

3. FUEL PURCHASES FROM UNITED STATES MINES:

Coal for United States lines and for certain sections of Canadian Lines in Central Canada is purchased normally from United States mines. This coal has come mostly from Ohio, with smaller tonnages from Pennsylvania, West Virginia, Kentucky, Illinois and Indiana. To the extent that the use of Canadian coal increased up to 1939, purchases of United States coal were reduced: but, as explained previously, increased consumption and reduced allocations and disappointing deliveries from Canadian mines made it necessary to substantially increase United States coal purchases since the outbreak of the war. Tonnages taken from U. S. mines since 1923 are shown on Statement No. 2.

4. SUBVENTIONS ON CANADIAN COAL:

A progressively increasing tonnage of Canadian coal for the C.N.R. has moved since 1930 with the assistance of Government subventions. Commencing in 1930 with about 25,000 tons, this quantity has increased to a peak of over 1,000,000 tons by the fiscal year 1939-40. The total tonnage on which subventions were allowed in the fifteen years ending in March 1945 was approximately 5,900,000 tons. However, excluding the early years before

subventions became a major factor, and also the five war years, it will be observed from Statement No. 4 that the assisted movement from 1933 to 1939 was very substantial, and averaged in these seven years almost 700,000 tons annually.

Details regarding the rates of assistance available on Canadian coal for railway consumption have already been placed before this Commission. The amount of subvention assistance applied to C.N.R. purchases totalled almost \$5,500,000 in the fifteen years commencing with 1930. The rate of subvention varied from a few cents to a maximum of \$2.50 per ton on Nova Scotia coal, and \$2.00 a ton on Alberta coal; and averaged 93¢ per ton on the entire tonnage. Of the total assistance received, \$4,200,000 was applied on Nova Scotia coal, and the balance on Western coal.

These subventions enabled the C.N.R. to purchase and use approximately 5,075,000 tons of Nova Scotia coal and 825,000 tons of Western Canadian coal in areas where its use otherwise would have been economically unjustifiable.

It should be borne in mind that the subventions do not benefit the Railway but are for the account of the coal companies to enable them to meet competitive prices at various points.

BY THE CHAIRMAN - It gives you a lot more business, does it not?

A. Pardon me?

Q. It gives you a tremendous amount more business that you would ordinarily get?

A. That is probably true on commercial coal, yes; but not on railway coal.

Q. The more business you get the better it is for you?

A. That is of course true on coal that is moving as traffic for our lines, but not on coal we are purchasing for our own accounts, because the haulage of that coal means nothing to us except out-of-pocket expenses.

BY MR. FRANKLEY - Your remark was confined to Railway coal?

A. Yes, that is the only thing we are dealing with in this brief.

MR. WELBY continued brief

The points at which the costs of Canadian and U. S. coal equalize vary from time to time, due to changes in mine prices, rail and vessel freight rates, exchange rates, dock handling costs, etc. In 1939, after consultation with the Dominion Fuel Board, the economic breaking points at that time were established as being approximately at Quebec City in the east and at Winnipeg in the west.

5. FUEL COSTS - GENERAL:

A number of items enter into the final cost of coal at various consuming points on the Canadian National System. These costs, which are considered in some detail in the following paragraphs, are as follows:-

- A - Mine Price.
- B - Rail and water freight.
- C - Duty.
- D - Exchange and currency equalization fund.
- E - Haul over C.N.R. tracks (O.C.S. haul).
- F - Handling costs.

In the year 1944 total fuel costs, exclusive of O.C.S. haul, were over \$50,000,000.00; to which should be added several million dollars for the cost of moving the fuel over C.N.R. lines. The magnitude of the coal bill of this Company will be appreciated from these figures. The cost of coal is the second heaviest item in the Company's operating expenses - being exceeded only by that of wages paid to employees. Approximately thirteen cents out of every dollar of operating expenses in 1944 went for fuel. This compares with about nine cents for all Class I U.S. railways, and reflects the higher costs paid by the C.N.R. for its coal supplies.

It will be appreciated how necessary it is to endeavor to find ways and means, wherever possible, of reducing this heavy expense; and this objective is constantly kept in mind by all those responsible for purchasing and handling the Company's

fuel supply.

Statement No. 7 shows the comparative costs in 1939 and at September 15th, 1945, for United States coal delivered at some of the main coal receiving gateways on the C.N.R.

6. FUEL COSTS - MINE PRICES:

It is a fixed policy of the Canadian National Railways to purchase its requirements of all materials, including coal, at the lowest possible cost after taking into consideration all pertinent factors. In recent years, there has been some measure of Government control of maximum permissible coal prices, both in Canada and in the United States, but under normal conditions coal prices are negotiated directly with producers. The usual C.N.R. method of purchasing material is to call for tenders and award the business to the lowest bidder. Due to the comparatively small number of coal mines in Canada from which locomotive coal can be purchased, it is not always practical to use this method in Canadian coal purchases. Price arrangements, therefore, are subject to some measure of negotiation; and the methods used differ, due to conditions, in the various districts where the coal is purchased.

In Eastern Canada, the Dominion Coal Company, which is the largest coal producing company in the Maritimes, normally quotes prices each year for all-rail coal from its various mines. These quotations are usually discussed with sales representatives of the Coal Company, and prices agreed upon.

When "Dosco" prices have been settled, it has been the usual procedure to then negotiate prices with the various Independent operators in Nova Scotia and New Brunswick. In doing so, it has been the endeavor to agree on fair and reasonable differentials based on the quality of the coal, after giving the Independents the benefit, if any, of their geographic location.

There is, of course, some objection to fixing differentials solely on a calorific basis since these figures alone do not necessarily determine the performance of a particular

coal on locomotives and its actual value to the Railway. Size and structure of the coal, and fusing point of the ash are also important. Some coals will perform satisfactorily on short runs, but, because of clinkering characteristics, etc., are unsatisfactory for long runs. Other coals are so fine in structure that stack losses are excessive, and more coal is consumed than would be indicated by the analysis of the coal. The C.N.R. could not, therefore, agree to calorific value alone as necessarily being a sound basis of comparison for the purchase of its coal; on which account running tests are made from time to time to determine the value of the various coals in actual service.

In dealing with prices for Nova Scotia coal delivered by water to Central Canada, only one company is involved, namely, the Dominion Coal Company; by whom prices are quoted each year covering deliveries at Quebec, Chicoutimi and Montreal.

BY THE CHAIRMAN - Before the war didn't you purchase some from the Bras d'Or Coal Company delivered in Montreal?

A. No Sir, not directly. I think prior to the war there was a little Brad d'Or coal came to us through the Dominion Coal Co. The quantity was very small I think, and it was not a direct purchase.

Q. I have no information to the contrary, but I know they were shipping coal into Montreal.

A. Some Bras d'Or coal came to Montreal.

MR. WELBY continues brief

The practice has been to notify the Dominion Fuel Board of prices quoted for Dominion coal, and the costs at which imported coal could be delivered at various destinations, and the resultant excess costs of Canadian fuel. If, and when, these figures were approved by the Board, and payment of excess costs authorized through Government subventions, contracts were concluded with the Coal Company at the approved price. A specimen copy (Statement No. 5) of the statements which were presented to the Dominion Fuel Board under this arrangement, is

attached.

During the past few years the Coal Company has offered no Canadian coal to the C.N.R. for delivery to St. Lawrence River ports.

In the purchase of station and boiler coal in Western Canada, consisting of approximately 250,000 tons annually of Saskatchewan and Alberta lignite and sub-bituminous coals, it is the normal practice to invite bids from producers, which are usually subject to some measure of negotiation, so that, as far as possible, continuity of supply may be preserved.

BY THE CHAIRMAN - Are you one of the clients of the Dominion Coal Company who got their coal from American suppliers and delivered it to the C.N.R.?

A. We have had a little coal from the Dominion Coal Company, American coal, not very much, and we also got some American coal from them at Halifax a couple of winters' ago when coal was very scarce and we were badly in need of coal, we got some American coal from them at Halifax.

MR. WELBY continues brief.

Purchases of locomotive coal in Western Canada cannot be handled in this way, as the C.N.R. takes the bulk of the output of the mines on its lines which supply this coal. For many years prices were quoted by the Coal Companies and were subject to negotiation. However, in 1940, due to some dissatisfaction about prices, most of the producers agreed to permit the Railway to examine their costs and mining practices, in the anticipation that prices could be negotiated which would bear a reasonable relationship to production costs and therefore be mutually acceptable. This was a work of some magnitude and expense to the Railway, and as the Auditor's report was not entirely acceptable to the operators: and in view of abnormal war conditions, the matter eventually reached the Coal Controller for his consideration.

BY MR. FRAWLEY - Are you coming back to that, or are you just saying it was left to the Coal Controller?

A. I am leaving it that way. The Coal Controller acted as a sort of arbitrator between us, and the price was arranged, but due to the costs rising so rapidly at that time new prices had to be fixed almost immediately.

Q. So it has not been necessary for you to go into costs and mining practices?

A. No.

Q. There was a difference between the way you purchase coal from Western mines and Dominion coal?

A. Yes, to some extent, but we were buying so much from Western mines that we thought we should know something about their costs.

Q. You never did that in the case of Cape Breton coal?

A. No.

MR. PATTON continues brief

Prior to the war, a small quantity of locomotive coal was taken from British Columbia (Vancouver Island). The tonnage was not great, and as only one company was involved prices were fixed by negotiation, based on annual quotations from the Coal Company. No coal has been offered from this source for several years.

Generally speaking, all prices being paid at present for Canadian coal are built up from "base" prices paid prior to the war. Certain increases have been ordered or approved by the Coal Controller to offset increased wage rates, higher material costs, etc., so that prices now are 34%, 43% and 58% over 1939 averages for Alberta, Nova Scotia and New Brunswick coals respectively.

Purchases of coal in the United States were made, prior to 1940, on the basis of formal tenders submitted, in some cases, by a great many producers. In 1940, however, "Minimum Code Prices" were made effective by the U. S. Government under the Bituminous Coal Act of 1937, and remained in effect until August-1943, when the Act expired. Under this Act, minimum prices were fixed for

all sales of coal and therefore, since prices of all coals in each district were generally the same, the problem was less a matter of price than of "selection" to get the best and most economical coal available. As an example of the changes this made in buying practices, reference is made to the sizable tonnages which were previously being purchased in Indiana and Illinois. Minimum prices made it possible to buy West Kentucky coal on a cheaper delivered basis than the Indiana and Illinois coal; C.N.R. purchases were thereupon transferred entirely from Indiana and Illinois to West Kentucky. Out of all the operations in West Kentucky (since all prices were equal) those that could supply the best coal, service, etc., were chosen and orders placed accordingly. Similar selections were in the process of development throughout the whole industry; but the outbreak of war increased the demand for coal and made it impossible to say what effect this process of selection would have had; particularly on mines producing the lower grade coals. It appears, however, that many producers of such coals would have found it difficult to dispose of their output.

For the past few years, and overlapping the period of minimum prices, maximum prices fixed by O.P.A. have been in effect in the United States, and generally speaking all coal is now being purchased at these ceiling prices. The following are the maximum prices (as of September 15th, 1945) for U.S. mine run coal moving to C.N.R. Canadian lines:

Dist. No. 1 - Cent. Pa.	-	Strip	-	\$3.00 per N.T.
		Deep	-	3.33
No. 2 - West. Pa.	-	Strip	-	2.84
		Deep	-	3.20
No. 3 - No. W. Va.			-	2.88
No. 4 - Ohio	-	Strip	-	2.70
		Deep	-	2.96

Some efforts have been made to re-enact the U. S. Bituminous Coal Act, and recent news reports indicate the U. S. Interior Secretary will press this action: but whether the U. S.

post-war coal market will be governed by maximum or minimum prices or be free from any kind of control are questions which cannot be answered at present.

In the purchase of miscellaneous fuels such as foundry and domestic coke, anthracite coal, wood, charcoal and fuel oil, it is the practice to invite bids from various producers and the business is awarded on the basis of the lowest tender, all things considered. In some cases, prices are negotiated, particularly in an endeavor to ensure continuity of supply.

7. FUEL COSTS - RAIL AND WATER FREIGHT CHARGES:

Ordinarily, the prices charged the C.N.R. for Canadian coal include the cost of delivery to the tracks of the Railway, on which account there is no separate charge for vessel and/or rail freight charges. Normal f.o.b. points on coal produced at mines not located on C.N.R. tracks are as follows:

<u>Coal Company</u>	<u>Railway on which coal produced</u>	<u>f.o.b. point on C.N.R. tracks</u>
Dominion Coal Co.	S. & L. ("Dosco" subsidiary)	Sydney, N. S.
Cumberland Ry. & Co. Company	C. R. C. "	Springhill, N. S.
Maccan Operators	M.C.R. & P. Co.	Maccan, N. S.
South Minto operators	C. P. R.	Chipman, N. B.

On coal shipped via St. Lawrence River by Dominion Coal Company, the rail and vessel freight charges are handled by shippers, and inclusive prices are named to the Railway on cars at Montreal and alongside of docks at Levis and Chicoutimi.

In the purchase of United States coal, however, prices are usually f.o.b. cars at the mines, and freight charges, both rail and water, are paid by the C.N.R. directly to the carriers. Rail freight charges are those named in the tariffs of the various railway companies.

Vessel freight charges are normally subject to negotiation from year to year. Ordinarily, the C.N.R. moves coal by

water to the Lakehead and Georgian Bay ports, and, under certain conditions, to Michipicoten and Port Colborne.

The governing factor as between all-rail and rail-and-water movements, is the comparative cost on C.N.R. tracks; and the quantity which moves via the various routes depends on delivered costs at consuming points contiguous to the gateways or ports - the objective, of course, being to deliver the coal to these consuming points at the lowest possible cost.

8. FUEL COSTS - DUTY:

Duty is payable by the C.N.R. on United States coal imported into Canada at a rate of 75¢ per ton, which has been unchanged since June-1931, prior to which date it had been 50¢ per ton from April-1925. There was, in addition, an excise tax of 1% on the "duty paid value" from June-1931 to April-1932, at which time the rate was increased to 3%, where it remained until April 26-1939, when the excise tax was abolished. However, on June 24-1940, a war exchange tax became effective at the rate of 10% calculated on the mine price in Canadian funds, and which remained in effect until cancelled on June 1st, 1945. In all cases the excise and war exchange taxes were in addition to the duty. Statement No. 6 is attached, showing the amount of duty and taxes paid by the C.N.R. on its U. S. coal importations into Canada since 1923. The large increase in the past few years is mostly due to heavier imports, necessitated through inability to obtain sufficient Canadian coal to meet increased war-time consumption; and to the increased rate per ton through the introduction of the war exchange tax.

BY MR. FRAWLEY - Four Million and a half Dollars in 1944 you paid?

A. A lot of money.

Q. In duty and excise tax?

A. Yes.

MR. WELBY continues brief9. FUEL COSTS - EXCHANGE & CURRENCY EQUALIZATION FUND:

On coal purchased in the United States, payment is required in United States funds, and since Canadian funds are now at a discount, this adds to the price of the coal. The rate of exchange, at the present time, is pegged at 11% but, under normal conditions, it varies from time to time.

Rail freight charges are also payable in United States funds, but on account of certain complications the carriers have agreed to accept payment in Canadian funds, on the understanding that shippers will prepay a so-called "Currency Equalization Charge" which, in effect, equalizes the difference between Canadian and United States funds. The tariffs of Currency Equalization Charges have varied since September-1939, but on bituminous coal from the Appalachian District have remained unchanged at 20¢ per net ton from April 5-1943. As stated, these charges are prepaid by shippers and the amounts are billed against the Canadian National Railways, and are payable in United States funds. When the exchange is added to the Currency Equalization Charge, the present cost to the C.N.R. is 22.2¢ per ton. The amount paid in Currency Equalization Charges since 1939 has been well over \$2,800,000.00.

10. FUEL COSTS - HAUL OVER C.N.R. TRACKS (O.C.S. HAUL):

After coal has been delivered to C.N.R. tracks, there is an expense for moving it from the mine or gateway to final destination. This involves a haul of variable length; which, while averaging about 300 miles, is in extreme cases as much as 1,500 miles. It is not easy to say how much this O.C.S. haul costs, as it depends on a large number of variable factors, such as wage rates, material costs, etc., and whether the coal is moved with or against the direction of prevailing traffic; whether it can be moved as "filler" tonnage in trains that would otherwise be moving light; and whether the coal is loaded in cars

that would otherwise be moving empty. The actual cost of any particular movement, therefore, depends on circumstances surrounding that particular movement at any given time; and each movement is the subject of special study. It is not possible to generalize in connection with this cost: but for subvention purposes the Dominion Fuel Board agreed some years ago to an arbitrary rate of five mills per ton mile for O.C.S. haul, but with the provision that this rate should in no case exceed the published tariff rates.

BY MR. WELBY - It should be emphasized that this arrangement was made a good many years ago, and that the five mill rate has not necessarily any relationship to present day costs, which are much higher than they were many years ago.

MR. WELBY continues brief

11 - FUEL COSTS - HANDLING EXPENSE:

Under this heading, there is grouped the expense of stocking and lifting coal, and handling it through coal chutes for delivery to the tenders of locomotives, etc. In 1944, the cost of doing this work was over \$1,600,000.00, excluding interest, depreciation, etc., on the equipment. Most of this amount is paid out as wages to Railway employees.

12 - CONTRACTS & ORDERS:

Prior to 1930, formal contracts were made by the C.N.R. for its fuel requirements. It became increasingly apparent, however, that such contracts were unnecessary, and that an order issued by the Railway, and properly acknowledged by shippers, was sufficiently binding on both parties. During the buyers market which existed during the thirties, it was not necessary to issue either contracts or orders, and in many cases coal was purchased over long periods of time, both from Canadian and United States producers, on informal agreements, in many cases expressed in writing in the form of a letter. Except in one or two instances, this less formal method of handling the matter is still being

carried on in respect to Canadian coal purchases; but during the war years, and particularly in view of U. S. Government regulations, it has been considered desirable to cover United States coal purchases by formal orders.

This does not mean, however, that Canadian producers are at any disadvantage, as they are kept constantly informed of tonnages (within a "10% more or less" limitation) required from the mines.

Regardless of whether formal or informal contracts or orders were issued, the C.N.R., has in the past made a point to accept the tonnages which it has informed the producers will be required: even though fluctuations in traffic have sometimes made it expensive and difficult to do so.

In addition to advices as to annual requirements, orders are issued periodically, covering the tonnages of coal to be shipped in the following month. These tonnages vary from time to time, depending on consumption requirements, car supply, and other conditions. As far as possible, the Canadian National endeavors to take regular tonnages, and to avoid sharp fluctuations, as it is realized such variations are disturbing, both to labour and operators, and ultimately tend to increase costs of production. Unfortunately, the situation is not always controllable, and changes in traffic conditions are reflected in coal consumption and must eventually be passed back to the mines. By stocking or lifting, from time to time, at some expense, the Canadian National has done much to soften the impact on the mines of changing consumption requirements, but there is a limit to the extent to which the situation can be controlled in this manner.

13. DISTRIBUTION:

As previously stated, fuel is used for many purposes, and at many points. By far the greater quantity, however, is consumed on locomotives: and is delivered to tenders at a large

number of points all over the System. The problem of distribution to various coaling points is a matter which receives constant attention, and the kind of fuel delivered to coaling chutes varies from time to time, depending on conditions. In this respect, Railway practice differs somewhat from other industries, many of which receive the same kind of coal regularly and indefinitely. Generally speaking, there are certain areas on the Railway allocated to coals originating in various districts. In 1939, for instance, the area east of Toronto, Foleyet and Cochrane used Nova Scotia and New Brunswick coal almost exclusively. The eastern section of this area was supplied with coal moving all-rail from the mines, but points west of and including Riviere du Loup and Monk received Nova Scotia coal which was delivered by water to various St. Lawrence River ports.

In 1940, coals originating in Alberta supplied practically all points west of Port Arthur and Armstrong, Ontario: this coal moved all-rail from the mines to various destinations.

The area between these boundaries was supplied with United States coal, of which a comparatively small tonnage moved by water to Fort William and Georgian Bay ports: and the balance moved all-rail from mines to various gateways on C.N.R. lines, mostly through Detroit, Niagara Falls and Cobourg.

Due to heavily increased consumption of the Railway since 1939, and heavier demands made on Canadian mines by other industries etc., there has been a great change in this distribution picture in the past few years. At the present time, United States coal is moving at heavy cost to the Railway as far east as Truro, N. S., and Canadian coal is only made available to the C.N.R. in sufficient volume to completely supply lines east of that point. It was also necessary for some time to send United States coal as far west as Saskatoon, but due to improved shipments, Alberta coal is now moving into Manitoba. While this greatly expanded wartime distribution of U. S. coal was inconvenient and costly to the Railway, it was undertaken because it permitted

more Canadian coal to be allocated to industrial and other consumers, who were thus relieved of a great deal of trouble and expense. Whether the entire cost of this arrangement, which ran into millions of dollars, should have been placed upon the C.N.R. is an open question.

A new distribution plan is being tested in co-operation with the Alberta bituminous coal operators, which arose out of a discussion of the difficulties which they experienced in projecting their mine development work due to fluctuations in C.N.R. requirements. It is recognized that a "zoning" system is not the answer to this problem; because, regardless of how large or small the zone might be, the consumption therein would vary from year to year, due to traffic fluctuations, etc. For example, in the year 1928, consumption on lines west of Port Arthur totalled over 2,100,000 tons, but by 1933 (just five years later) this figure had fallen to approximately 1,000,000 tons - a reduction of over 50%.

It was decided to experiment with an arrangement whereby the Railway would try to give the operators a fixed weekly order over an indefinite, but perhaps considerable period. Under this arrangement the C.N.R. will assist in absorbing the shocks of changing traffic conditions, by expanding or contracting the area in which Alberta coal is used, and/or stockpiling and lifting coal, as might be necessary from time to time: while the coal companies will be able to plan their development work well ahead along the most economical lines; with anticipated resultant benefits to both parties.

BY THE CHAIRMAN - Would you mind going back to that situation in taking your coal east as far as Truro. You say because of the larger industrial use of coal. Don't you think it was also caused by the low output from the Nova Scotia mines?

A. That is undoubtedly correct, it undoubtedly had a bearing, but in addition to that there were more demands for the coal that was made available.

Q. I had a reason for bringing that up.

A. It is very definitely correct.

BY MR. FRAWLEY - A plan you spoke of at the bottom of page 14, is not that the plan that Mr. Mayne Reid spoke of in Sydney?

A. Yes.

MR. WELBY continues brief

It is apparent that it may not be possible to carry out this or any similar plan in future without assistance, when necessary, to offset the difference between the laid-down costs of Canadian and imported coals; particularly in times of depression, when it may be necessary to move the Alberta coal considerable distances into Ontario.. This plan has been in effect for over eighteen months, but due to war conditions has not yet been fully tested, and because of the heavy demand for coal, has been partially suspended.

BY MR. WELBY - In other words we practically told the mines out there we wanted all the coal we could get regardless of any agreements we made several years ago.

MR. WELBY continues brief

It is hoped, however, that it will be a helpful contribution to the problems of the industry in the west; and that it may eliminate some of the difficulties which the industry has experienced in past years.

BY MR. FRAWLEY - Of course the question of subvention comes in there too?

A. Yes.

MR. WELBY continues brief

14. INSPECTION - TESTS - ANALYSES:

Coals of Canada and the United States which are available to the C.N.R. have a wide range of physical and chemical characteristics. In structure, they vary from the hard coals of Pictou County and Southern West Virginia, to the friable coals

from certain Alberta and Pennsylvania mines. In volatile content, there is a range from the high of 40% to a low of 15%. Some Eastern Canadian coals are high in ash and sulphur and with low ash fusibility, on which account they are not satisfactory on locomotives: nor are they suitable for storage.

In the distribution of purchases between mines, the Railway uses any and all sources of available helpful information about quality and preparation. These include advices from C.N.R. inspectors; locomotive and power plant tests; laboratory tests; Federal and Provincial Mines Department reports, etc.

In other words, the best information is sought wherever it can be found to assist in making the wisest coal selections consistent with good policy, so that the best value may be obtained for the money expended. It is always important to purchase coal of a grade and quality that will enable the Railway to carry out its main function; namely, the transportation of freight and passengers: and the C.N.R. cannot purchase coal that will interfere with this objective. Coal selection is not a "hit-and-miss" proposition, but is the result of careful and continuous study; and it is necessary to reject all requests for orders for coal that is unsuitable for railway use.

A staff of fuel Inspectors is employed to inspect mines from which coal is offered, and to check up the day-by-day quality of shipments to the railway. These Inspectors take regular samples at stated frequent intervals, which vary at different mines and under different circumstances. These samples are analyzed and the record is studied frequently, so that changes, if any, in the quality of the coal being shipped will be quickly observed.

In addition to the Inspector's and Chemist's reports, tests are made from time to time to determine the efficiency of various coals in power plants and locomotives. It is not ordinarily difficult to arrange satisfactory tests in power plants, which are usually provided with the necessary instruments for the purpose. The situation is different, however, in the

case of locomotive tests, which require a considerable amount of planning and which extend, in some cases, over several months, and require the use of a dynamometer car and crew, in order that the most accurate information may be obtained. Since the war commenced, it has been impossible to assign such a car and crew to the testing of coal, so that no tests have been made since 1939 but further tests are anticipated sometime in the not distant future.

It is necessary to study the test results in conjunction with Inspector's reports and analytical data; also to check them with the results obtained from various coals in the day-by-day operation of the Railway. From time to time, complaints are received about coal which contains excessive impurities, or which is causing trouble on locomotives, and these complaints are carefully investigated so that the necessary protests may be made to the producers.

15. SPECIFICATIONS:

From time to time, it is suggested that all Railway coal should be purchased on fixed size and quality specifications. This is common practice in the case of many industrial and commercial buyers, and some critics of Railway fuel buying policies feel that a similar course of action should be followed by the Railways. There are two schools of thought in connection with this matter; but it has been considered that the purchase of C.N.R. coal, particularly in Canada, on fixed and rigid specifications as to ash and volatile content and calorific value would involve many difficulties.

This does not mean, however, that this Railway can, or will accept any kind of coal, regardless of poor inherent quality, size or preparation; and it insists on receiving well prepared and clean coal. It does mean, however, that locomotive firing practices permit a fairly broad range of coals, and in this respect C.N.R. purchases are less rigid than those of many industrial and

commercial consumers. This whole question of specifications, including maximum ash content, etc., will be the subject of further studies (by the Railway) in the near future.

BY MR. FRAWLEY - You say you will subject this question of specifications to further study by yourselves. You are not so sure of their being any further study on the part of the producers?

A. Well of course the buyer lays down his specifications, and if we feel the mines cannot meet them, we would have to be in touch with them and be more reasonable about our specifications. There is a great deal of difference between an ideal specification and what you can get in practice from the various mines.

Q. You sometimes have to qualify the specification when you look at what the producer can do.

A. Exactly.

MR. WELBY continues brief

An unofficial report on the use of Railway fuel was prepared and distributed by the United States Interstate Commerce Commission in August-1944, in which the author made certain criticisms of the policies and practices of railway coal buying, particularly in respect to the purchase of low-grade coal, and among other things suggested that consideration should be given to purchasing all railway coal on specifications. The Association of American Railroads, speaking on behalf of all the railways in a circular dated December 26-1944, (No. DU 1-200) examined this recommendation in some detail, and certain extracts from this document are quoted below, as they indicate the difficulties which would be encountered by United States railroads in setting up and enforcing specification for railway fuel. If the A. A. R. comments are true for the United States, where purchases can be spread over several thousand mines, they are much more true in Canada where purchases of locomotive coal are confined to a comparatively small number of mines.

BY MR. WELBY - Now Mr. Frawley, instead of using those next two pages, which are simply a number of extracts from the report of the A.A.R., I am wondering if it would not be better for the Commission if I just filed the whole document.

BY MR. FRAWLEY - It is a circular by the A.A.R. on the question of specifications of coal; use and cost of railway fuel, and problems in value statistics, and you are quoting from that?

A. Yes.

BY COMMISSIONER McLURIN - What Mr. Welby wants to bring to our attention, I take it, is already in the brief, and he does not need to read it now, and what he is handing you is merely for our study.

BY MR. WELBY - The whole document here is more than the two pages I have included in the brief, and it is really for the study of the Commission.

MR. WELBY continues brief

"Nowhere in the study is there any reference to, or description of, the many practical problems with which both the operating and purchasing departments are faced in securing continuity of adequate supplies of suitable fuel at the times when and the places where it is needed. Nor is there any recognition of the relation between the magnitude of railroad coal requirements and the realities of production and marketing of coal. The author is apparently unaware of the difference in fuel requirements and in conditions to be met in fuel selection which exist among different railroads, due to differences in their geographical relation to fuel producing areas, and in the design and service requirements of their motive power equipment. And, finally the author uses the word "specifications" without defining what the word means in this connection and which of several functions the specifications are to serve.

Even cursory attention to these points would have revealed the complexity of the problem of fuel selection, and its constantly changing character as a result of technological advances in motive power design, coal mining methods and with the changes in coal supply and marketing which have been and still are taking place. At least brief reference to some of the more important underlying conditions is appropriate in this comment. Locomotives are designed so as to utilize the most economical fuel, which is not always of comparable quality to coal which would otherwise have to be transported long distances and at considerable expense.

"Railroad coal buying occupies a unique place in the economy of the coal industry, and of the nation, because of its magnitude alone. When the railroads, as a whole, consume more than one-fifth of the total supply, and when the railroad purchases within important coal producing areas constitute an even greater proportion of the total, it is obvious that railroad coal cannot be obtained from any small group of carefully selected mines. The very magnitude of railroad coal requirements makes it necessary to draw supplies from a large number of mines, and this, in itself, automatically results in an averaging of values which would not be materially altered by technical refinements in coal selection.

On pages 58 and 59, the study devotes considerable space to the matter of size of coal for railroad use, and gives the impression that it should be possible for the railroads, as a whole, to agree upon uniform size specifications. The author apparently is unaware of the fact that diversity of locomotive design and service (other than the difference between hand and mechanical firing) will cause diversity in size preferences among the operating departments of different railroads, or even between divisions of the same railroad. Nor does he mention the fact that the choice of commercial sizes of coal is influenced by other physical and chemical properties of coal. One size of one coal may give better performance than the same size of another coal. This is only one of the many aspects of coal selection both for locomotive and stationary plant use which is very complex, and on which knowledge is constantly growing. In addition, not only are improvements in locomotive design constantly taking place, but standards of performance are being raised, and fuel requirements, in terms of quality and size, are always in a state of flux.

It is indeed fortunate that all of the railroads have not adopted a uniform size of coal, because such a practice would create a serious problem for the coal producers, the problem of disposing of the resulting sizes, thereby adding materially to the cost of the size selected by the railroads. Under present practice, the marketing of various sizes of coal is in reasonable balance. Any change that would upset this balance would have a drastic effect upon the cost of fuel and waste the natural resources, and the ultimate effect would be only to drive the railroads back into their present practice with respect to size.

Flexibility in railroad fuel requirements serves a useful purpose, for it permits the railroads, with their large consumption, to assist in balancing production at the mines. One of the problems in coal mining is to move the several sizes of coal, day-by-day, in the same proportions in which they are produced, and frequently shipping orders are out of balance with production. By taking the sizes for which there are insufficient orders at a given time, the railroads help to keep production moving smoothly. By timing purchases from individual mines, the railroad

"purchases help the mines to maintain more regular operating schedules.

Rigid quality specifications would prevent the railroads from performing this function of a balance wheel in cost production, and would lead to a higher over-all cost of coal production without securing a demonstrable economy in their own operations. Railroad purchases of coal are so large in relation to the total output, in many districts, that their purchases are spread over many mines with the result that the average quality and average price for groups of coals is not likely to be affected by any substantial amount, whatever method of coal selection is followed.

The development of uniform, or more rigid coal quality specifications offers no magic solution to the many and changing engineering and purchasing problems in coal selection and purchasing, and their effectiveness in reducing the over-all cost of railroad coal is a matter of theoretical speculation, for which the study provides no foundation.

In conclusion, it should be pointed out that the word "specifications" in connection with coal buying has several different uses. It may mean the description of the quality of coal, within certain established tolerance, which is required for a given type of equipment and service. Whether formalized or not, specifications, in this sense, are developed and used as a guide in fuel procurement.

Specifications are sometimes used for individual stationary steam plants as a basis for competitive bidding, and frequently involve the balancing of quality and price by some formula to determine the lowest bidder. The resulting contract often contains provisions for penalties and premiums, depending upon the variation in quality from the contract standard. While such a procedure is possible in the case of private and governmental purchases for individual plants or groups of plants having fixed fuel requirements which can be covered by annual contracts, it is obviously not fitted to the conditions of railroad fuel purchasing. Specifications of this kind, too, often rigidly confine the limits of acceptable quality, but as we have already pointed out, the very magnitude of railroad coal requirements makes any such use of specifications impracticable except for special uses.

Although not stated, the author may mean that specifications should be used as the basis for a system of differential pricing, based upon the quality and performance of different coals. To an extent the market automatically establishes such differentials and they were recognized in the minimum price schedules of the Bituminous Coal Division, and the maximum price schedules of the O.P.A. They have less effect, however, on the average cost of coal to large buyers, like the railroads, than on that of the small individual consumer."

16. COMPETITION FROM FUEL & DIESEL OILS:

There are at least three types of competition for the fuel requirements of the Canadian National Railways. One of these is competition from other fuels such as fuel and diesel oils; the second is from coal produced in other countries; the third is between various districts and mines in Canada.

The Canadian National Railways uses oil on its locomotives in most services west of Jasper. In 1944, approximately 1,200,000 barrels of oil were consumed, of which 150,000 barrels were used in Pacific Coast vessels; 50,000 barrels in barge and ferry service; 40,000 barrels on the Prince Edward Island ferry, and the balance in Railway services, mostly on locomotives operating west of Jasper.

The use of fuel oil on locomotives west of Jasper was adopted about 35 years ago, with a view to securing increased locomotive efficiency and reduced fire hazard. At that time it was found to be impossible to handle the traffic efficiently with coal-burning locomotives and, moreover, there was a strong agitation against the continuance of their use by various Government and other organizations interested in forestry protection.

In making these arrangements, large expenditures were necessary to provide oil-burning locomotives and the necessary tank facilities for oil storage, etc. As a result, the coal handling plants were abandoned, so that at present there are practically no facilities in this territory for the coaling of locomotives. Recent studies have shown that to convert all oil-burning facilities back to coal, even if practical, would involve a very heavy initial outlay for new facilities, and would result in a considerable increase in operating costs. This figure, of course, would fluctuate from time to time, based on relative costs of coal and oil, consumption requirements, etc.

BY THE CHAIRMAN - Didn't the engineers find some way of preventing the escape of fire from engines?

Q. You mean the stack losses, Sir? The ash which comes out of the stacks of locomotives?

A. Yes?

A. I understand at the present time there are some very definite developments on that very point in the United States. There is a Committee working with this Bituminous Coal Research Organization, which is studying the whole question of the drafting of locomotives, and it is my understanding that within a reasonable time, perhaps a matter of months, that they expect to have that whole problem well under way of being solved.

BY MR. FRAWLEY - I think the Chairman's remark refers to the emission of sparks.

MR. WELBY - Yes, caused by the carrying of sparks and of fine coal up through the stacks.

BY MR. FRAWLEY - So there are two things there, the loss in the fuel of the coal, and the sparks endangering the forests?

BY THE CHAIRMAN - At the time the legislation passed in British Columbia some time ago which resulted in your people changing to oil, I was given to understand that there had been devised an engine..

BY COMMISSIONER McLAURIN - A spark arrester.

BY MR. WELBY - We are permitted to use those kinds of coal in forested areas if we use a spark arrester, but you can't guarantee that every day it will work. Holes will come in the arrester which permit larger sparks to go through, and yesterday it might be working well, and today not, so you would have to put a new arrester in every day to be perfectly sure that you had the situation under control.

MR. WELBY continues brief.

Approximately 650,000 barrels of the 1944 requirements of the Railway came from various prairie refineries, and of the balance 300,000 barrels of imported oil were delivered at Victoria, Vancouver and Prince Rupert.

Much has been said and written in the past year or two

regarding purchase of diesel locomotives by railways. There is a definite trend on the part of some United States railways towards abandoning coal-burning locomotives in favor of diesels. The latter have apparently established themselves as superior to steam locomotives in switching services, and there are many railway officers who claim they are superior in road service. During the past five years 3184 diesel locomotives were purchased by U. S. Railways, compared with 1424 steam and 95 electric locomotives.

In the "Monthly Comment on Transportation Statistics" (a publication of the I.C.C. Bureau of Transport Economics and Statistics) for August-1945, the following comments are made with respect to displacement of coal tonnage by diesel-electric locomotive units.

"The service units produced by diesel-electric locomotives in 1944 displaced 12,475,926 tons of coal, which is equivalent to about 10% of the 123,676,000 tons of coal consumed by locomotives in 1944 and to 9.1% of the estimated 136,152,000 tons that would theoretically have been consumed if the units of service produced by the diesel-electrics had been produced by coal burners. This displacement by diesel-electric power broken down by types of service is as follows: Switching service, 5,468,585 tons; Passenger service, 2,991,867 tons; and, Freight service, 4,015,474 tons. That this displacement is not only continuing but is on the increase is indicated by the fact that during the first four months of 1945 diesel-electric production of gross ton-miles of cars, contents, and cabooses and yard switching hours increased sharply and diesel-electric passenger car-miles increased moderately. The report makes the observation that the figures for the first four months of 1945 would indicate an increase of upwards of 5.7 million tons for the full year 1945 over the 12,475,926 tons of coal required to produce the service units of diesel-electrics in 1944, or roughly 18 million tons in 1945."

BY MR. WELBY - This simply points out that a large tonnage of coal which has been displaced by these diesel-electric units in the United States for the full year, over 12 million tons of coal was displaced, and roughly 18 million tons in 1945.

MR. WELBY continues brief:

Various coal associations and coal burning railways in the United States are studying this situation to see if this trend towards diesels can be reversed. I recent issue of the

National Coal Association bulletin, carried the following item on this investigation:

"With a determination to develop a coal-burning locomotive that will meet the diesel on any basis that it may perform, the bituminous coal industry and the railroads have formally launched a research program that it is hoped will bring about the desired results. Howard N. Eavenson, President of Bituminous Coal Research Inc., announced on January 12th the formation of a committee under the general auspices of the research association to carry on this work. That committee will consist of R. B. White, President of the B. & O. Railroad, who will act as Chairman; J. D. Francis, President of Island Creek Co.; George Humphrey, President of Hanna Company; Grant Stauffer, President, Sinclair Coal Company, and Dr. H. J. Rose, Director of Research, Bituminous Coal Research Inc.. This Committee is the sequel to a conference held in New York on January 12th, at which were present Mr. White of the B. & O., J. B. Hill, President of the L. & N., Gustav Metzner, President of the New York Central, W. J. Jenks, President of the Norfolk & Western, and C. E. Newton, President of the C. & O.. Several other railroads are also participating in this work. The Conference was attended also by Dr. Compton, President of the Massachusetts Institute of Technology, and Dr. A. A. Potter, Dean of Purdue University. These two, with their associates, will aid in the over-all planning of the program. It was stated that in developing this locomotive there would be no overlapping that would interfere with certain new coal-burning locomotives that have recently been developed. It was pointed out that the fuel reserves of the nation consist of more than 98 percent coal, while there is some dispute with respect to the reserves of other fuels. The committee above named will, with their technical assistants, immediately go to work, and for this job there has been already paid into the research organization over a million dollars. This work deserves the hearty support of the entire coal industry as well as the railroads."

A further report on this subject was made in Bituminous Coal Research, (the quarterly publication of Bituminous Coal Research Incorporated) of September-1945, and reads as follows:

"An encouraging report was made by John I. Yellott, Director of Research for the Locomotive Development Committee of B.C.R. who outlined the experimental work now getting under way to develop a coal-burning gas turbine. After visits with gas-turbine manufacturers, who offered their co-operation and discussed the problem of adapting coal to their machines, plans were made for research at several laboratories on various phases of the combustion of pulverized coal under pressure. The John Hopkins

"University is the first to receive a definite assignment on combustion chambers. A wartime development, the gas turbine promises to replace the steam engine and diesel for driving locomotives."

An article in which the question of coal vs diesel locomotives was discussed appeared in the magazine "Coal Age" in September-1944 and has been reprinted and widely distributed. Recommendations have been placed before your Commission by the Western Canadian Bituminous Coal Operators' Association, that the Dominion Government co-operate with the Railways of this country in an investigation similar to that being undertaken in the United States, looking toward the designing of a coal-burning locomotive which will meet diesels on any basis of performance. It must be realized that all improvements in steam locomotives to meet diesel competition, tend to reduce the total purchases of coal required to operate the Railway.

BY MR. WELBY - I have a copy of that "Coal Age" transcript which perhaps might be filed.

BY MR. FRAWLEY - We get the publication.

MR. WELBY continues brief

17 - COMPETITION FROM COAL PRODUCED IN OTHER COUNTRIES:

Competition with Canadian coal also comes from coal produced in foreign countries, and particularly the United States. For many years it has been necessary to purchase varying quantities of United States coal in order to meet the fuel consumption requirements of the C.N.R. This tonnage fluctuated widely from year to year, but averaged about 2,100,000 tons annually during the period 1923 to 1944: the minimum quantity in that period being 900,000 tons in 1933, and the maximum approximately 4,700,000 tons in 1943.

The main source of supply has been the No. 8 District of Ohio (where the mines of the Canadian National Railways are located). This District produces a good locomotive coal, having

approximately the following analysis on an "air-dried" basis for mine run, unwashed coal:

Moisture	- 1.00%
Volatile combustible matter	- 37.00%
Fixed Carbon	- 52.50%
Ash	- 9.50%
Sulphur	- 3.50%
B.T.U.	- 13,200

United States coal has some advantages over coal produced in Canada. Much of it can be produced at costs below the cost of producing either Eastern or Western Canadian coal; in addition, it has a geographical advantage entailing comparatively short hauls to the heavy consuming areas in Central Canada. Although the mine price is relatively low, other charges against the coal: such as freight, duty, exchange, etc., increase the delivered cost on C.N.R. tracks considerably, but even so it is frequently necessary to provide subvention assistance to enable Canadian coal to compete with the laid-down cost of United States coal in many parts of Ontario and Quebec.

18. COMPETITION BETWEEN CANADIAN COALS:

Under normal conditions, there is always some competition between various Canadian producing districts; for instance, mines in the various districts of Nova Scotia and New Brunswick compete for railway requirements in the Maritime Provinces; similarly, but to a smaller extent, competition with Alberta coal is furnished by coals produced in British Columbia and Saskatchewan. It has occasionally been suggested to the Railway that its requirements in a particular province should be obtained exclusively from the mines in that province, and that no importations should be made from other provinces, except to the extent that the provincial mines cannot fully supply the requirements of the railway. The C.N.R. has been unable to agree with this suggestion and has insisted that delivered cost at consuming points must be the deciding factor in the purchase and distribution of its coal.

In addition to competition between various districts, there is also competition between mines in the same district. If all mines in a particular district produced exactly the same grade of coal, it might be possible to give each of them a fixed percentage of the requirements of the Railway. This, however, is not the case, and there is a constant and natural tendency on the part of the Railway to allot a larger percentage of its orders to mines producing the best coal. Under certain conditions, particularly when the industrial and commercial demand is falling off, those mines which produce low-grade coal find themselves short of orders, and sometimes approach the Railway with requests for higher tonnages for which they will accept lower prices. Within certain limits, it is desirable for the Railway to accept these offers, and it would be subject to criticism if it refused to do so. However, the ultimate effect of such proposals may be a reduction of all coal prices in a particular field, and as a result the Railway is sometimes unfairly accused of forcing down coal prices. Actually when lower prices are voluntarily offered by one or more mines in a particular district, the Railway is faced with the peculiar problem that it may be criticized if it accepts the lower prices, and it would certainly be criticized if it did not accept them. It is suggested that instead of improperly criticizing the Railway, it might be better for the industry to recognize and acknowledge that the reason for price reductions will be found usually in the element of competition which comes from within the industry itself.

In addition to competition between districts and between the presently operating mines in various districts, there is also the ever present possibility of new mines or new districts being opened. A new field is being examined in the Highwood area of Alberta, southwest of Calgary; and it is stated that the cost at which this coal can be produced and sold is below the cost of bituminous coal now being supplied to the Railway from other Western Canadian mines. In the event that acceptable coal should

be offered to the Railway from this field, at lower prices, there would seem to be no reason why it should not be purchased: the final effect of the opening of this field, provided the coal is of satisfactory quality for locomotives, may be to sharply curtail purchases from presently operating mines. Whether or not coal is made available to the C.N.R. from this particular field and at what cost, is something that only the future can determine; but it will be realized that as long as there remains the ever-present possibility of the opening of new mines, the C.N.R. cannot possibly enter into any long-term agreements or commitments with mines which are at present supplying its requirements.

BY COMMISSIONER McLAURIN - Are the C.N.R. going to acquire Sheen Creek mine?

A. We are not building a railway so far as I know.

BY MR. FRAWLEY - But I gather that as long as that coal is there it would have that effect; they might be able to supply some of your needs?

A. If it meets our requirements.

Q. I would not have thought that was very important?

A. I think in one of the briefs placed before the Commission it was suggested that the C.N.R. might make long term contracts, perhaps 10 years, with their present suppliers. But we could not do that on account of the possibility of new mines opening which might produce lower priced coal.

Q. That sounds reasonable and gives some importance to this, I was going to say promotion, I was going to say perhaps more importance than you should give it. It has been lying there for a great many years.

BY THE CHAIRMAN - Don't be too sure that the C.N.R. does not purchase that mine.

BY MR. WELBY - I was going to suggest that you cover that in your report.

BY MR. FRAWLEY - Did Senator Burns ever offer it to you?

BY MR. WELBY - But joking apart, there are other mines there which could be opened up in those properties in Alberta, without necessarily building any railways in to them. For instance, I would say in the last ten years there have been two new properties opened up in the coal mines in that vicinity.

BY COMMISSIONER McLAURIN - And no amount of zoning, or equalizing of purchasing, or stock piling, will overcome economic capacity of any market to absorb what is offered for sale.

A. That is correct.

Q. And however crude it may be, first the railways and then the producers, and if we are going to survive we had better look after them.

BY MR. WELBY - We didn't pick that particular one out, it just happens to be one here at the present time, and we say that the possibility of opening up new mines has an effect on long term relationship with present suppliers.

BY THE CHAIRMAN - And they usually produce cheaper coal?

A. For a little while anyway.

BY COMMISSIONER McLAURIN - If there was a market for the coal I suppose it is almost self-evident that the potential productive capacity of Alberta mines could be doubled without any substantial railway building.

A. Indubitably, yes.

19. PROPERTIES OWNED BY C.N.R. - (a) RAIL & RIVER COAL COMPANY

Part, and in some years practically all, of the coal taken by the C.N.R. from United States, has come from mines which it owns and operates in Ohio, and known as the Rail & River Coal Company. These mines were acquired by the Grand Trunk Railway in 1912 to protect the requirements of that line; and throughout the intervening years, particularly during the two world wars, have proved of great benefit to the Railway. Not only have they ensured a constant supply, but they have saved large sums of money due to the cost of production being frequently lower than current market prices. In addition, they have had a stabilizing influence in negotiations for the purchase of United States coal, making it ordinarily possible to purchase such coal only when all conditions are favourable to the Railway.

At times these mines have produced over 2,000,000 tons annually, but production has been lower in recent years. At present, two mines are being operated, namely, Nos. 3 and 6. The latter, which is not mechanized, and which is at present producing about 10,000 tons weekly, is almost exhausted and will probably be closed down within the next year or two. No. 3 mine is fully mechanized, and is developed to produce 5,000 tons daily; although this figure has not been reached recently due to man-power shortages, etc. After the war, it is expected the Rail & River mine will produce approximately 1,000,000 or 1,250,000 tons annually (based on a five-day week), of which at least half will be needed on lines in the United States, leaving perhaps five hundred thousand tons for other disposal.

BY THE CHAIRMAN: It is used entirely by your railroad?

MR. WELBY: Yes, almost exclusively by the Canadian National. (Continues brief):

20. PROPERTIES OWNED BY C.N.R. - (b) CANADIAN OILS LIMITED

The Oil Controller warned the Railways in 1942 of the possibility of serious interruption to the supply of oil from California through enemy action, and urged upon the C.N.R. the

necessity of developing and producing oil from the Vermilion field in order to obtain the current requirements. While disagreeing that the development of this field should be made a responsibility of the C.N.R., it was decided to comply with the wishes of the Oil Controller; on which account Cannar Oils Limited, a wholly owned subsidiary of the C.N.R., commenced producing oil in the Vermilion field in 1943.

At the close of 1944 this Company was operating nineteen producing wells, and during the year 1944 delivered to the C.N.R. over 100,000 barrels of oil.

BY MR. FRAWLEY: At how much cost per barrel, would you be able to say?

MR. WELBY: I could get that figure for you, Mr. Frawley; I haven't got it here.

BY MR. FRAWLEY: If it is readily available in your office would you mind sending it in?

MR. WELBY: I would be glad to. (Continues brief):

While this property is not expected to remain in production for any great length of time, it is felt that the C.N.R. performed a valuable service at Vermilion, which was of benefit to the Government and also to other fuel oil consumers in Western Canada.

21. CONSERVATION:

Constant efforts are made by the Railway to conserve fuel and at present these conservation plans are strongly supported by the Coal Controller with his well publicized slogan "Save one shovel in five". After the present emergency is over, it is anticipated that the improvements which have resulted in the conservation of fuel will continue, and will tend to reduce post-war purchases.

The generally accepted standard for measuring changes in fuel consumption on railways in North America is "fuel consumption per thousand gross ton miles". On the Canadian National this figure in 1923 was approximately 146 pounds; but due to various improvements, resulting in lower coal consumption, it

was reduced by 1944 to 112 pounds - a reduction of almost 25%. If the rate of fuel consumption had been unchanged from 1923, it is estimated that almost 2,000,000 tons of additional coal would have been consumed on C.N.R. lines in Canada in 1944.

This tendency toward economy in fuel consumption is something that is being constantly studied by the C.N.R., in common with all coal-burning railroads.

Previous reference has been made in this brief to the heavy cost of fuel to the Canadian National Railways. This expense, due to increased mine cost and other charges, is considerably higher at present than it was in pre-war years. On price account alone, there was added to the operating expense of the Railway in 1944 approximately \$15,000,000.00 more than would have been the cost if the fuel had been purchased at 1939 prices. It is almost axiomatic that the higher the cost of coal goes, the more active efforts will be made to reduce the quantity used. An editorial in the Saturday Evening Post of May 5th, 1945, reading in part as follows, outlines this situation, particularly in view of presently increasing coal prices:

"The railroads, in a normal pre-war year, used about one-fourth of the nation's coal to pull passenger and freight trains over the land. The ordinary steam locomotive is a fine piece of machinery. But it is at best only about seven percent efficient. Now the gas turbine, which is a proved success on the flame supercharges of thousands of American planes, can be designed to run on coal. And the turbine can easily be designed to operate four or five times as efficiently as the best steam locomotive of the usual type. A 'condensing' steam locomotive has been designed, but its adoption would accomplish the same result--a decreased demand for coal. These gas-turbine locomotives will be expensive, particularly if they are purchased and used while old and still-usable steam locomotives rust on side tracks. But they will save at least three-fourths of the coal needed to pull a train. And if the railroads must pay a dollar more per ton--or even twenty-five cents more per ton--for coal, this difference may well be the final economic incentive for a large, perhaps unwelcome, capital expenditure.

"Although the railroads hesitate to do anything to offend their friends, the coal operators, particularly when competing lines are looking for the same freight, they sometimes slyly take a step toward greater economy. The cascading waters of the Susquehanna River, for example, help pull the Pennsylvania's

huge Washington-to-New York traffic, which includes coal. And the Norfolk and Western, and the Virginian, among the nation's chief coal carriers, have electrified sections of their lines. True, they burn coal to produce the electricity, and transmit it by wire. But the efficiency of coal in a condensing central station is three or four times what it is in a steam locomotive. So, whether the coal operators and the miners realize it or not, these investments in electrification neutralized some of the big miner-wage increases of past year."

Rent C.N.R. conservation investigations include studies of locomotive and power plant designs, including the possibility of using increased tonnages of lower-grade coal. For some years, the Canadian National Railways has been represented on the National Committee of Fuel Conservation and, in addition, the Railway itself created a committee to deal with conservation of fuel on its own lines. The studies and recommendations of these committees have indicated a number of places where fuel can be saved by the Railway without too great capital cost, and steps are being taken in many cases towards that end.

A simple example might be given of how conservation tends to reduce the consumption of coal by the C.N.R. For many years Brazeau coal was used on locomotives in its raw state as produced at the mines; although, because of its comparatively low volatile content, and its large percentage of fines, stack losses in unburned coal were excessive. Several years ago the Coal Company, in an effort to improve this situation, installed a briquetting unit, and the result was so encouraging that additional units were installed and the Company is now briquetting over fifty percent of its output. As a result, there has been a considerable improvement in the value of this coal on locomotives, and the Railway is able to use Brazeau briquettes in its most difficult mainline services. However, the net effect has been to reduce the total consumption of coal by this Railway: in other words, the 350,000 tons of briquettes and lump coal now being received from Brazeau has the same efficiency as possibly 450,000 tons of the kind of coal shipped in 1938; less of it is being used because it is now a better and more suitable

fuel for locomotives. This improvement in the quality of Brazeau coal means that without changing in any way the territory in which Alberta coal is used, there is a reduction of perhaps 100,000 tons in the quantity of coal that can be purchased by the Railway. Plans for similar briquetting plants for other coals have also been discussed, and it is not beyond the bounds of possibility that large additional quantities of Alberta coal may be delivered for locomotive use in briquetted form in the not distant future.

It will be seen from the foregoing example that conservation, which is a laudable objective, and which is constantly being considered, will necessarily affect the tonnages of coal which will be purchased in future by this Company.

BY MR. FRAWLEY: The Brazeau company accepts that situation, does it, realizing that it has lost tonnage?

MR. WELBY: Well, there has been a loss of tonnage to Alberta, not necessarily to Brazeau, because Brazeau perhaps have improved their situation. They have got a better coal and we are anxious to use more rather than less of that particular kind of coal.

BY MR. FRAWLEY: You are just making a comparison there: "350,000 tons of briquettes and lump now being received from Brazeau has the same efficiency as possibly 450,000 tons of the kind of coal shipped in 1938."

MR. WELBY: From Brazeau.

BY MR. FRAWLEY: But you don't mean particularly that you did buy 450,000 tons in 1938?

MR. WELBY: Oh no. As a matter of fact in 1938, on account of the quality of the coal we were trying to buy as little as we could. Now the situation is reversed and we are trying to get all we can. It is very suitable for our locomotives.

Q The Brotherhood came to us in Winnipeg and said something about that?

A Yes.

Q You didn't regard that as being particularly well founded, I suppose?

A We listened.

Q You are still buying it?

A We certainly are.

MR. WELBY continues brief:

The Association of American Railroads in its circular of December 26, 1944, previously referred to, has a short comment on conservation, and it is perhaps not out of place to quote these remarks, which represent the considered opinion of United States Railways, particularly to this important subject:-

"It is to the best interests of the railroads, and to the nation, that the technical talents of the industry be directed toward improvements in utilization of given fuels, for it must be assumed that such efforts will be so to improve designs and operating methods as to achieve the highest efficiency with the coals which are most readily available to each road, and which (because of their lower quality) suffer from marketing disadvantages for consumption at distant points where the delivered price is heavily weighted by transportation costs."

As an example of the manner in which the C.N.R. has used its technical knowledge in this way, reference is made to the utilization of low-grade Saskatchewan lignite coal in the stationary power plants at Transcona and Fort Rouge in the vicinity of Winnipeg. Some years ago, when the replacement of the equipment at these plants became necessary, new boilers and fittings suitable for the combustion of lignite coal were installed, for the reason that large quantities of this coal were available from mines located within a comparatively short distance of Winnipeg. The performance of this coal in these installations has been satisfactory and has resulted in a reduction in consumption and a considerable saving in total fuel costs.

22. STORAGE:

It is believed that no railway, and perhaps no company, in North America stores such large quantities of coal as the C.N.R. Primarily, this is for protection of the Company's requirements against possible interruptions of supply due to

labour trouble or accidents at the mines and to climatic and geographic conditions. Large sections of the line are considerably over 1,000 miles from the nearest coal mines, and protection must be provided to offset any interference with deliveries. Additionally, a good deal of C.N.R. coal moves by water in the open navigation season, and must be stocked for use during the winter months. Then, too, it is sometimes econo-

mical to move Company coal in "off-peak" transportation periods, and to incur the cost of storage rather than to move it when requirements for the transportation of commercial freight are at a peak. In addition, piles are sometimes used as a "balance wheel" to control the number of cars underload, and to avoid holding an excessive number of cars with Company coal; which might otherwise result in car shortages and adversely affect the ability of the Railway to give satisfactory service to its traffic patrons. The Company's coal storage policy has been amply justified in recent years and has been the main reason why the C.N.R. has been able to weather some of the recent shocks caused by disappointing allocations and deliveries from mines, etc.

MR. WELBY: I might perhaps add here--I don't know that it need go into the record--that is the reason the Canadian National is running today, with so many mines closed. It is able to run because we have stocks on which we can fall back. (Continues brief):

Stocking always involves some expense and inconvenience. The cost of doing the work is not small, and there is loss due to weathering, erosion, unreclaimable coal, etc. Because of the danger of spontaneous combustion, there is also some expense in maintaining a constant inspection of coal piles. Then, too, it is not always convenient to lift coal from piles when it is needed, due to manpower and equipment shortages. In addition, it is sometimes necessary to operate piles in winter months, resulting in delivery of frozen coal or coal mixed with snow,

to locomotives, and thus adversely affecting the performance of trains in the hardest and most difficult months of the year.

Certain recommendations have been made to this Commission that the C.N.R. should stock coal to assist in eliminating the fluctuations at mines caused by changing consumption requirements of the Railway: in other words, to assist the operators in levelling off the differences between the normal winter peak demand and the summer slump. To some extent this has been done as a regular practice in the past, and it may be possible to do even more in the future, and the C.N.R. will be pleased to co-operate wherever practicable along these lines. However, it is suggested that the entire burden of the stocking of coal for this purpose should not be placed upon the Railway, and that the producers should themselves consider the possibility of stocking excess coal, from time to time, in the vicinity of their own mines. Because of the danger of spontaneous combustion when coals of different origins are mixed in a common pile, the Railway must, of necessity, limit its storage to a comparatively small number of coals, or else lay down a large number of small piles, which is neither economical nor practical. This means that the C.N.R. can, of necessity, only be partially helpful in the working out of this problem, whereas it would appear that many operators can and should help themselves by stocking and lifting coal in the vicinity of their own mines, as has been done by the Dominion Coal Company, and to a lesser extent by other producers in the past.

While assuring the industry of the interest of the Railway in this problem, and of its desire to co-operate, it is suggested that the burden of solving this problem is perhaps being unfairly placed upon the consumer of coal, whereas the solution properly should be found and effected by the operators themselves.

The decision as to the quantity of coal to be held in stock is properly a function of the Railway. Most U.S. railways

carry stocks amounting to less than a month's supply: very few, if any of them, carry as much as three months' coal in stock. While the C.N.R. is interested in suggestions as to the quantity of coal it should stock, it is obvious that only the Railway itself has sufficient knowledge of all the aspects of its position to enable it to lay down a policy as to how much coal should be carried in stock, etc.

BY MR. FRAWLEY: When you stock coal that you actually don't need at the moment of stocking, shouldn't you get some price advantage, and have you been getting any?

MR. WELBY: No sir.

Q That has never entered into it?

A I wouldn't say never. I think perhaps there may have been times in the past when, shall I say an attractively priced coal has been offered to us which we felt we could afford to stock and we thought we should enter it in our piles, but not in recent years.

Q It costs money to stock coal too, ties up the money?

A Yes.

Q But you say it is not a demand on your part when you do decide to stock coal in off-season periods?

A No. We just kind of add that. The expense of storing is one of the things the Company undertakes as part of its regular fuel-buying program. There are many times when for our own purposes we want to stock coal anyway.

Q I am glad you dealt with it because we did hear quite a bit about that, particularly in Nova Scotia, and it occurred to me if you are going to do it you should have some advantage in price?

A I wouldn't want to say that. we have never had any price advantage offered to us, but I would say to my recollection that such occasions have been few and far between, and I would say they are not regularly offered to us for that purpose.

MR. WELBY continues brief:

23. POST-WAR PROBLEMS IN THE PURCHASE OF COAL:

Much attention has been given to conditions on the C.N.R. likely to follow the end of the war, and to the quantity of coal that may be required. It seems probable that there will be some reduction from the high rate of consumption of recent years; but it is anticipated that requirements will remain fairly high for some time. Perhaps the experience of 1918 to 1929 will be repeated, and the annual consumption on Canadian lines many average between five and five and a half million tons for the next ten years or more.

To a certain extent, the level of traffic over the Railway, and the resultant demand for fuel, will depend upon competing methods of transportation. It is possible that competition from buses and trucks may become more severe in the post-war period than prior to 1939. Press reports indicate that there will be increased activity in road building, and this will probably be followed by an increase in the number of buses, trucks, and private cars using these roads, all of which will have a tendency to reduce activities on the railways. Competition from air lines may also affect, to some extent, the number of passengers who will use the Railways. All these factors together with fuel conservation plans, new locomotive designs, etc., will affect the quantity of coal required by the C.N.R. In this post-war era, old problems that have been encountered in the past in the purchasing of fuel, are expected to arise again, and new problems may have to be dealt with from time to time.

One of the most difficult problems to be faced is that of poor-grade coal. Some Canadian coals which have been purchased in the past cannot be given a high rating for locomotive purposes, yet there were policy reasons for continuing to buy them. It was felt that it might not be possible always for mines producing the better coals to supply all the requirements of the C.N.R., in view of the possibility that fires, explosions, equipment disabilities, or labour interruptions might interfere with

production; therefore, the purchase of lower-grade coals appeared to be justified.

However, during the difficult conditions of the past few years, some of the mines producing inferior coal have not been as helpful as was hoped. If the element of a "safety supply" does not exist, (which seems to have been demonstrated in recent years) it means the purchase of low-grade coal by the Railway as an "insurance" is not justified. The questions then arise as to why these purchases should be continued at all; and if so at what price? During the war, prices were paid for the low-grade coals which are higher than can be economically justified on the basis of prices of competing coals. It will be necessary, sooner or later, to make a decision as to whether this arrangement can be continued and, if not, how quickly and to what extent it should be corrected. It is difficult to see how the C.N.R. normally can pay prices which are higher than the comparable value of the various coals justifies.

It is perhaps not always recognized that it costs as much to haul inferior coal over the line as it does to haul good coal, and taking into consideration the element of cost of haul, prices which can be paid economically at the mines for inferior coals are even lower than would otherwise be the case. It is not proper to compare prices on various coals at the mines in discussing the value of inferior coal, but there should be added, in each case, the cost of moving the coal over the Railway from mines to consuming points. Even this is generous to the inferior coals, since, in actual practice, there is also an excessive cost in hauling this coal due to the necessity of moving it to specific points where it can be used, involving extra switching in terminals, additional road hauls, etc.

Another problem associated with the purchase of low-grade coal is the difficulty of using it. For years the trend on the C.N.R., in common with other railways, has been toward building higher-powered and hence more costly locomotives. The only

justification for these heavy expenditures, which are primarily to render better service, is that heavier trains can be hauled at increased speeds. If this cannot be done, the Railway might as well continue using smaller and less satisfactory locomotives. This heavier power, however, demands better coal. Just as the expensive automobile or plane of today demands better gasoline than was the case twenty years ago, so the heavy locomotives in use today need better coal. A light engine and fifteen cars stalled because of poor coal is one thing: a heavy, expensive engine with a train of perhaps fifty to one hundred cars is a much more serious matter. It must be recognized that the quantity of low-grade coal which can be used (regardless of cost) is decreasing; and unless there are some unforeseen developments in the future the situation is not likely to change. It is suggested that the producers of these low-grade coals may find it advisable to take steps to improve their product so as to make them more economical and suitable for use on the C.N.R.

Proposals were placed before the Commission in Nova Scotia that the market in the Maritime Provinces should be reserved to the Independent coals. Such a suggestion is impractical, if the C.N.R. is to continue to provide first-class train service in the Maritime Provinces. This cannot be done if inferior coal only is to be used on locomotives in this section of Canada. Any such arrangement would result in constant delays to trains, slowing down of schedules, and complaints from the travelling public, freight shippers, railway employees, etc.

Another problem which must be considered is that of continuity of supply. The C.N.R. must receive adequate and continuous supplies of coal if it is to carry on its vitally important functions. References have been made in some briefs placed before this Commission, to the importance of larger quantities of Canadian coal being shipped to the Railways: and the

Associated Boards of Trade of Cape Breton Island go so far as to say "the Railways operating in Canada should be required to use Canadian coal exclusively." The record of the past few years, with its seriously inadequate deliveries of Canadian coal, during which time it has been necessary for the C.N.R. to distribute U.S. coal as far east as Truro, N.S., and as far west as Saskatoon, does not encourage this proposal. It may be claimed that the suggestion about "Canadian coal exclusively for Canadian railways" was meant only for the post-war period. If, however, the railways of this country normally refuse to buy U.S. coal, what likelihood is there that U.S. producers will have any interest in the requirements of this country, if through war or other causes it becomes necessary again to look to them for supplies? While the many recent difficulties of the Canadian Coal Industry are appreciated, and while it is felt that it has perhaps done as well as possible under these difficulties, it must be regretfully admitted that the industry has not been able to take care of total Canadian requirements during the war; and has not proved capable of rising to great production heights as has been the case in the United States. Until some guarantee of continuity of supply under any and all conditions and over a period of many years can be made by the industry, there would seem to be little point in talking about Canadian railways using Canadian coal exclusively.

Another problem concerns the distribution of possible reduced orders between various mines in the post-war period. One of the most frequent questions which has been asked by coal suppliers is whether it will be the policy of this Company after the war to favour those companies who have protected C.N.R. requirements during the abnormal war years. In addition, on numerous occasions requests have been made that the C.N.R. enter into long-term contracts with present suppliers; so that they would receive some recognition of their service during the war.

It has been felt that, other things being equal, it is only reasonable that those companies who have looked after C.N.R. requirements in the present abnormally tight market, should be accorded fair treatment in the post-war period; and many producers and shippers have been so advised. If the attitude had been taken that helpfulness during the present emergency would not be tangibly recognized after the war, it would have added greatly to the difficulty of obtaining necessary requirements.

BY THE CHAIRMAN: That doesn't mean that you intend to purchase less Canadian coal after the war than you did before?

MR. WELBY: I don't think.

BY THE CHAIRMAN: I mean to say, we can't read that in?

MR. WELBY: No. As a matter of fact, we deal with this problem of United States and Canadian coal in the next paragraph. (Continues brief):

This raises the question as to what is to be done for those United States coal producers, and their Canadian dealers who have taken care of C.N.R. requirements during the period of high consumption and at a time when the Canadian industry could not supply anything like the wartime requirements of the Railway. These companies have seen to it that at no time was the coal supply of the Railway dangerously low, and the C.N.R. owes them a debt of gratitude. Are we now to say to them, "Thank you - it was nice while it lasted"? If so, what incentive is there for them to provide similar protection under emergency circumstances in the future? If, in the near future, Canadian coal displaces immediately all or most U.S. coal, there may be definitely unfavourable repercussions in the U.S. coal industry: and among many producers who are friendly to the C.N.R. at present and upon whom this Company has depended greatly in recent years. This may add to difficulties in procuring coal supplies in the U.S.A. in similar emergencies in the future. Many U.S. producers have stated that their main

interest in shipping to the C.N.R. in recent years has been their expectation of participating in C.N.R. orders in the post-war period.

MR. WELBY: You will notice, sir, that this paragraph is headed "Problems". These are things that we have to face in working out our coal supplies in future years.

BY THE CHAIRMAN: What I meant by that, Mr. Welby, does this mean that you should, as a matter of courtesy, use the same amount of American coal on your railway as you got during the war?

A No sir, this is one of the problems that we are going to have to face.

Q Why should it be a problem?

A Well, the report of your Commission will undoubtedly have a bearing on how this problem is disposed of.

Q Oh, I don't know; it might or might not, but I am, to be perfectly frank, quite alarmed at the thought that the coal industry of this country is going to be placed, so far as importations from the United States are concerned, is going to be placed on a war condition after the war is over--it is over now--that is, that we must, as a matter of courtesy, import the same amount of coal from the United States as we did during the war.

BY COMMISSIONER McLAURIN: You are not suggesting that?

BY THE CHAIRMAN: Well, I think so.

BY COMMISSIONER McLAURIN: I mean I am asking him.

MR. WELBY: Are we going to take that attitude? Are we going to say to them, "Thank you. It was nice while it lasted,"

A lot of those companies--and we have to admit that the Canadian National would have found it very difficult during the last few years without United States coal--many of them have said, "We are not interested in supplying you with coal today; we can sell all this coal at just as good prices in the United States market. We are only interested in the fact that we expect to get Canadian National orders after

the war is over."

BY COMMISSIONER McLaurin: Let's assume you had a reduction in Canadian production for C.N.R. consumption of one-half and you would have the same as you have now, subventions and tariffs, you would have a point at which Western coal from your point of view economically competes with American coal, and another point where Nova Scotia coal economically competes with American coal. The American producers, I suppose, might not like our subventions and so on but you could very likely be able to appease them by playing fair in that market which is their economic market. Do you think so?

A I think this, that it is one of the policies of this company, and I think we tried to emphasize it earlier in the submission, one of the policies in connection with the purchase of railway coal is to always endeavor to give Canadian coal the preference in the buying of our coal, and I am quite sure that the war will not change that policy. In pre-war days we were taking as much as 68 or 69% of railway coal from Canadian mines. That policy, sir, has not been changed by the war. I would like to emphasize that point.

BY MR. FRAWLEY: You say: "If, in the near future, Canadian coal displaces immediately all or most U.S. coal, there may be definitely unfavourable repercussions in the U.S. coal industry," but that is not a very likely thing?

A No, that is not, Mr. Frawley. Our consumption will probably go down so gradually--that is the way we look at it--this problem will probably solve itself over the years. Our consumption will go down gradually; the amount of coal we will buy from United States mines will probably go down gradually over a period perhaps as much as 10 years.

BY COMMISSIONER McLaurin: These observations are in some measure related to the statement made by the Cape Breton Board of Trade that we should have exclusive use of Canadian coal?

A Yes.

BY MR. FRAWLEY: Which would cost the treasury of Canada a terrific lot of money.

BY THE CHAIRMAN: It was not the coal operators, after all, that made that suggestion.

MR. WELBY: It was somebody else, the Board of Trade.

BY THE CHAIRMAN: A Board of Trade always makes very exaggerated statements.

MR. WELBY: I think we might point out, and I think we say it with some pride, that the Canadian National Railways is the biggest buyer of Canadian coal, and has been for a good many years. We buy tremendous quantities of Canadian coal and we are proud of that fact. We are proud of the service that is given to us by the coal mines and we hope that the relationship in the future will be just as close as it has been in the past.

BY THE CHAIRMAN: And not only that, but Canadian operators are shareholders in the railroad.

A That's right, sir. They will be very interested, therefore, in giving us the best coal at the cheapest prices.

BY MR. FRAWLEY: My interest is so infinitesimal I don't think about it very much.

BY THE CHAIRMAN: Your second last statement has allayed the fears that I expressed about markets for Canadian coal.

MR. WELBY continues brief:

There is still another problem which must be faced in the post-war era, and that concerns the quality of coal being shipped to the railway. During the years of the war, there was a lowering of preparation standards at many mines, and since the demand was heavier than the supply it has been necessary to make the best of this unsatisfactory situation. However, as conditions return to normal, the C.N.R. will expect to receive cleaner and better prepared coal. It is likely that most operators recognize this situation, and are making their plans accordingly, but other producers may receive an unanticipated

shock when, in the post-war period, shipments are rejected by the C.N.R. because of the unsatisfactory quality of their coal.

24. UNITED STATES BITUMINOUS COAL ACT OF 1937:

During the early thirties, the United States coal industry was facing many problems similar to those being experienced at that time by the Canadian coal industry. The A.A.R. in referring to this situation in its circular of December 26-1944 made the following comments:

"The objective of the Bituminous Coal Act, as set forth therein was to eliminate the evils of destructive price competition in the bituminous coal industry. In the early 1920's, the long term trend of demand for coal which had been rapidly upward throughout the whole previous history of the industry, came to a halt and turned downward, accentuated after 1929 by generally depressed business conditions. During this period, mine operators individually struggled to maintain as large a share as possible of the diminishing total demand by price competition. Individual industrial buyers took advantage of this situation to secure their coal at the lowest possible price, without regard to any other considerations.

"The railroads, however, were in a different position from that occupied by widely scattered individual industrial consumers. Had they all used their tremendous purchases of coal to drive prices even lower, without any regard for the effect on the mining industry, the situation, which was so notoriously bad that it became a matter of national importance, would have been much worse. The coal buying policies of the railroads, which resulted in their paying an average price at least closer to the cost of production than other buyers, but still below that cost, had a stabilizing influence and should be commended."

In an effort to solve some of the problems of the industry, the United States Bituminous Coal Act (Guffey Bill) of 1937 was enacted. Some reference has been made in this brief to this Act and to the fact that minimum prices on all coal produced and sold in the United States were fixed under this Act.

Actually, however, the bill went far beyond the fixing of prices, important as that feature was, and applied a code of ethics to govern the conduct of the whole industry. Some of the features dealt with in this Code were as follows:

Sales Agent: Their contracts, commissions and functions.
Orders and Contracts: Type and points to be included.
Terms of payment.
Use of coal analyses by producers and selling agents.

Sale of coal refused on transit or at destination.
Substandard preparation or quality.
Substitution of one coal for another.
Advertising.
Unfair methods of competition.

No producer was forced to subscribe to this Code; i.e., become a Code member. However, an excise tax of $19\frac{1}{2}\%$ of the minimum price was imposed upon the sale of coal from which only "Code members" were exempt. Similar bills recently presented to the United States Congress are almost identical with the provisions of the 1937 Act. It is of particular interest to consumers of coal that provision was made in this Act for the appointment of a "Consumers Counsel" whose sole responsibility was to protect the interest of coal consumers; consideration should be given to a similar appointment in any regulatory body set up in future to control the Canadian Coal Industry.

25. THE VALUE OF C.N.R. BUSINESS TO THE COAL INDUSTRY:

The interests of the railways and the coal industry are closely interwoven, particularly in Canada. Railways purchase tremendous quantities of coal, and are therefore entitled to buy on a price basis that is reasonably close to cost of production. On the other hand, it should be pointed out that railway business has many attractions for the coal industry.

Primarily, railway orders constitute for many coal producers a steady backlog of orders. In times when commercial, industrial and household business slackens, and perhaps disappears entirely, orders from the railways for locomotive coal continue and thus permit the producers to continue to operate mines which might otherwise be closed for long periods.

It has been stated before the Commission that orders are placed by the railways "at their pleasure" and fluctuate considerably from time to time. The C.N.R. admitted some weakness in this respect when it was pointed out six or seven years ago before the McGillivray Commission and took immediate steps to rectify it, and cannot understand why it is again resurrected at this time. However, it is suggested that a study of the situation will show that there is now no real responsibility in

railway orders than there is in the case of commercial and industrial orders. Industries and dealers have little hesitancy in discontinuing orders entirely during the slack season and insisting on priority in busy seasons; but orders from the railways continue, even though, on occasions, at a reduced basis, regularly and steadily. It is felt that any study of this situation would eliminate many of the critical comments that have been made about fluctuations of railway orders, and that there would be, instead, a greater appreciation of the value of the orders which reach the mines week in and week out, indefinitely.

In addition, railway locomotive coal is usually purchased in large blocks, for which negotiations normally extend over only a short period of each year. It is seldom necessary to continue the solicitation of railway business over a period of weeks or months, as is the case with the much smaller orders from dealers and industry. On this account, the selling expense on railway fuel is usually lower than on sales to other consumers; which is another reason why prices to the railways should be lower than to other customers.

BY THE CHAIRMAN: Don't you think that a lot of the criticism against the C.N.R. is political?

MR. WELBY: You put me on a tough spot to answer that, sir.

BY THE CHAIRMAN: I have noticed that the same criticisms are not levelled generally against the C.P.R.

BY COMMISSIONER McLAURIN: This criticism was. The McGillivray Commission was one investigating both railways, in which Mr. Justice McGillivray's strictures were applied with equal strength to both of them.

BY THE CHAIRMAN: That has been my opinion for some time. Of course I myself won an election on criticism that I made of the C.N.R. at one time. But I have been reaching that conclusion during these hearings, that there is a lot of it, especially down in our own country, the Maritimes. However, if you don't care to answer it, it's all right.

MR. WELBY continues brief:

Furthermore, there is no credit risk involved in selling coal to the large railway companies. Credit risks must be considered carefully when dealing with many other types of consumers, but in the case of the railways this phase of the business can be forgotten. The C.N.R. is the highest type of credit risk in Canada, and payments for coal purchased are regularly made on the dates agreed upon when purchases are negotiated.

Then, too, railway inspection is on a reasonable basis. Industry generally, and particularly dealers, are of necessity fussy about quality of the coal shipped to them, and sometimes reject entirely coal which is not exactly in accordance with their size and quality specifications. The railways, on the other hand, while expecting to receive clean and well prepared coal, are reasonable in the inspection of this coal; and outright rejections are uncommon. If not satisfied with the quality of the coal which has been shipped to it, the C.N.R. usually negotiates a reasonable price allowance instead of rejecting the coal and leaving to the shipper the responsibility of disposing of it elsewhere.

In connection with inspection, it should also be kept in mind that railways are able to utilize a wider range of sizes than is the case with many other consumers. On this account, the railways often assist producers in disposing of their resultant sizes, after they have made slack, nut, or lump coal for the industrial market. In other words, railway fuel orders are helpful to the producers in maintaining a balance between their various sizes, and thus assist in maintaining more level and continuous mining operation.

Due to the above mentioned, and possibly other attractions, the business of the C.N.R. is eagerly solicited by many coal producers, both in Canada and the United States: and having received these orders most of the producers appear to do everything possible to satisfy the railway in connection with prepa-

ration of their product, regularity of shipments, etc.

It is hoped that this recital of some of the countervailing benefits which the industry and individual producers have received through railway orders will bring a more general recognition and appreciation by all the operators of these benefits. If so, it is felt that the future relationship between the C.N.R. and the industry will continue on a harmonious and satisfactory basis.

All the foregoing refers to the purchase of fuel by the C.N.R. and except where otherwise stated all tonnages herein are net tons of 2,000 lbs. and all years are calendar years.

MR. WELBY: Now I should explain, perhaps, sir, the rest of this brief refers to transportation and arises out of some suggestions made down in Nova Scotia, and while I can answer any questions, any reasonable questions--I can try to answer them--in the foregoing part of the brief, I can't say much about this last part here. It is just tacked on to my brief as something we had no other place to put. If you have any questions to ask about it I will be pleased to have somebody from our Bureau of Research come up and answer them for me.

BY THE CHAIRMAN: That is quite satisfactory.

MR. WELBY continues brief:

26. TRANSPORTATION:

In the various briefs and oral testimony submitted to the Commission reference has been made to the transportation available for the movement of Maritime coal, and particularly coal from the Cape Breton collieries, and the statement is made (Page 5 - Brief of Associated Boards of Trade of Cape Breton Island, January 16th, 1945) that "Apart from the cost of production, the transportation factor is one of the most important, if not the most critical, retarding the distribution and marketing of Nova Scotia mined coal." As Cape Breton Island coal production is, by and large, about eighty percent of the total production in Nova Scotia, the criticism of transportation is

taken to apply largely to that area. As a prelude to a discussion of the general question of transportation, and to obtain a clear background, it is interesting first to examine the actual production at Cape Breton collieries for the past few years, the proportion such production bears to estimated capacity and the reasons advanced for any failure to achieve the estimated maximum output. This information is furnished annually by the collieries to the Dominion Bureau of Statistics and for the years 1937 to 1943 inclusive is as shown:

	(thousands of short tons)						
	<u>1937</u>	<u>1938</u>	<u>1939</u>	<u>1940</u>	<u>1941</u>	<u>1942</u>	<u>1943</u>
Production (C. B. Dist.)	5491	4677	5414	5897	5384	5289	4435
Percent of Capacity	77%	62%	73%	79%	82%	79%	81.7%
Loss of Capacity	23%	38%	27%	21%	18%	21%	18.3%
<u>Analysis of Loss of Capacity</u>	%	%	%	%	%	%	%
Absenteeism	1.6	0.9	0.8	4.8	9.0	12.0	13.9
Lack of Orders	19.0	36.0	25.1	11.3	0.9	3.0	-
Car Shortage	-	-	0.1	1.8	-	0.4	-
Mine Disability	1.5	0.8	0.7	1.8	4.5	4.0	4.3
Other Causes	0.9	0.3	0.3	1.3	3.6	1.6	0.1
	<u>23.0</u>	<u>38.0</u>	<u>27.0</u>	<u>21.0</u>	<u>18.0</u>	<u>21.0</u>	<u>18.3</u>

If reliance is placed on these statistics supplied by the collieries themselves, the only loss of capacity attributable to transportation in these years would appear to be on the grounds of car shortages which it is reported occurred in the years 1939, 1940 and 1942.

BY THE CHAIRMAN: Do you remember, I think I asked one of the Dominion Coal Company higher officials down there if there was any lack of transportation to get their full supply of coal abroad, except a few times during the war, and he said none. That is my recollection.

MR. WELBY: I think that is probably correct. (Continues brief):

It should be noted, however, that the maximum disability claimed in this respect amounted to but 1.8% in any one year and that this was in 1940 when the requirements of war traffic

imposed a heavy burden on railway facilities. Since the outbreak of war railway rolling stock has been taxed to the limit to keep pace with traffic requirements and at times it has been impossible to completely meet all demands. This has resulted in some instances in car shortages for brief periods but as an indication of the excellent manner in which the railway has protected the car requirements of the Cape Breton collieries there is shown below a tabulation of the number of idle car days incurred in holding a supply of cars available at Sydney for prospective coal loading in the year 1941 to 1944 inclusive:

<u>Year</u>		<u>Idle car days at Sydney</u>
1941	-	15,894
1942	-	10,472
1943	-	20,916
1944	-	28,670

It must be emphasized that this loss in potential car use was incurred in an effort to adequately care for Cape Breton coal requirements during times when the demands for this type of car in other parts of the country exceeded the available supply. It should also be emphasized that this tabulation of idle car days does not include cars held at points other than Sydney for coal loading in the Cape Breton district and that the inclusion of such cars would swell the total of idle coal car days on this account by several thousands.

We submit therefore that railway car supply cannot be the basis for any justifiable criticism of transportation in the Cape Breton area in these years.

Both water and rail transportation are available for the movement of traffic in volume between Cape Breton Island and other parts of Canada. Prior to the war, as a result of water competition, traffic on the line between Truro and Sydney was considerably less than would otherwise have been the case. The railway found itself, during seasons of navigation, handling only such freight traffic as was not susceptible to water movement and even during winter months railway facilities were not

being used to capacity. The outbreak of war with the consequent impetus on industrial production, the movement of large quantities of supplies to Newfoundland and the dislocation of water transportation increased the flow of rail traffic enormously on this line and caused the railway to give serious consideration to the whole transport problem in this area. Facilities were improved by the extension of sidings and re-arrangement and expansion of yard facilities to an extent that was feasible in the time and with the materials available. However, when it came to the problem of how this great volume of coal which had previously moved by water was to be moved by rail, and when this was taken in conjunction with the tremendous increase in traffic which had taken place to the port of Halifax and which was moving over the single track line between Moncton and Truro, it was obvious that some alternate means would have to be obtained because the volume was beyond the capacity of existing lines. These alternate means consisted partly of a diversion of markets so that coal could be obtained from other sources and partly of the construction of a by-pass facility in the form of a coal transfer plant at Point du Chene. This plant, which could be and was built quickly and as a wartime measure, permitted water movement from Cape Breton to Point du Chene and rail movement beyond, thereby by-passing the Sydney-Moncton rail line, and ensured a path being kept open for large quantities of coal from Cape Breton. The transfer plant built in 1942 has an estimated capacity of 1,500,000 tons of coal per year which is roughly 50% of the tonnage of coal moved by water to St. Lawrence markets in the peak year of 1939 and about 65% of the average annual tonnage moved by water in the ten - year period 1930 - 1939 inclusive. Since its completion in 1942 it has handled approximately 461,000 tons as follows:

<u>Year</u>	<u>Tons of Coal</u>	<u>Cars of Coal</u>
1942	122,155	2,381
1943	229,000	4,355
1944	110,192	2,335

Construction was completed in August 1942 and therefore the tonnage handled that year does not warrant any comment but it is noteworthy that in the year 1943 the plant was only used to slightly over fifteen percent of estimated capacity and in 1944 to less than eight percent. In this connection it may be observed that coal production in the Cape Breton district decreased approximately 1,000,000 tons between 1942 and 1944 as follows:-

<u>Year</u>	<u>(Short) Tons</u>
1942	5,289,000
1943	4,435,000
1944	4,226,000

All these things taken together have permitted the movement of a large volume of traffic over the Sydney-Truro line without serious interruption of delay. There have been times when the facilities were taxed beyond their capacity but these have been few and for relatively short periods and, in the main, there can be no justifiable criticism of railway freight service in that area. As an indication of the situation prevailing in 1944, it may be stated that during that year the freight traffic handled by ferry across the Strait of Canso was not more than 77 percent of ferry capacity. In other words, approximately 15,000 more cars of freight could have been handled had they been offered for movement. In pre-war years less than fifty percent of ferry capacity was utilized due largely to water competition.

Experience has shown that when ship bottoms are available the volume of traffic offered for railway movement is well within the capacity of existing railway facilities and there is no reason to believe that the situation will be radically different in the post-war period.

Nova Scotia is particularly favoured in the matter of water transportation to its principal markets. The relative

importance of rail and water transport from the viewpoint of the coal industry is amply evidenced by the following statement appearing on Page 64 of the submission of the Dominion Steel and Coal Corporation Limited:-

"While water transportation must and should always be looked upon as the principal mode of carriage, it is plain that it must be supplemented by rail carriage if the all-year operation of the mines is to be achieved."

This is borne out by the fact that in the five years immediately preceding the war the railway was used to move less than five percent of the coal shipped from Nova Scotia to St. Lawrence markets or an average of about 115,700 long tons per year, while the balance, an average of 2,668,000 tons per year, was moved by water. With the outbreak of war and the subsequent dislocation of water transport, a much greater percentage had to be moved by rail and in 1940 a total of 713,000 tons was so moved. This was more than six times the average of the previous five years. Since 1940, the total tonnage of coal shipped to Quebec and Ontario points has steadily decreased as a result of the expanded wartime use in the Maritime Provinces and by 1943 (the latest figures available) the volume has fallen to approximately 520,000 long tons, of which 270,000 tons moved by rail. This dependence upon and use of water transportation is quite understandable. The railways can do a great deal in the way of transportation and while they are by long odds the cheapest method of transporting freight on land, they cannot successfully compete on a cost basis with water transport.

STATEMENT NO. 1STEAM COAL CONSUMPTION BY C.N.R. - 1920-1944

<u>Year</u>	<u>Atlantic</u>	<u>Central</u>	<u>Central Vermont</u>	<u>G.T.W.</u>	<u>Western</u>
1920	1,195,215	2,866,181	297,292	710,842	1,831,841
1921	918,935	2,536,549	168,214	622,010	2,137,285
1922	747,909	2,627,602	200,713	624,379	1,668,680
1923	809,082	2,919,457	226,868	791,382	2,149,566
1924	706,266	2,737,031	184,741	742,593	1,847,113
1925	670,383	2,590,076	180,640	743,990	1,692,302
1926	722,340	2,704,549	186,089	807,122	1,746,569
1927	732,015	2,681,621	161,531	776,884	1,876,411
1928	768,933	2,783,334	157,954	802,482	2,150,378
1929	801,977	2,751,425	160,085	819,623	1,774,667
1930	737,082	2,368,646	148,775	612,586	1,488,496
1931	630,654	1,921,826	132,018	502,337	1,237,878
1932	488,909	1,596,656	109,368	414,881	1,164,452
1933	467,599	1,484,996	108,286	429,603	1,052,661
1934	569,910	1,662,993	114,921	477,700	1,090,346
1935	533,635	1,651,057	120,482	524,596	1,148,165
1936	542,633	1,815,204	131,365	579,652	1,207,254
1937	610,452	1,943,193	133,708	598,623	1,120,879
1938	558,471	1,772,517	113,350	482,376	1,115,159
1939	594,567	1,896,857	122,812	532,199	1,230,666
1940	825,049	2,236,648	130,814	591,168	1,369,534
1941	978,355	2,713,002	158,590	627,907	1,586,441
1942	1,175,420	3,144,146	158,611	536,394	1,655,515
1943	1,228,497	3,510,458	189,441	604,583	1,944,955
1944	1,201,225	3,136,839	174,482	576,255	2,071,023

STATEMENT NO. 1 (Continued)STEAM COAL CONSUMPTION BY C.N.R. - 1920-1944

<u>Year</u>	<u>System</u>	<u>Consumed in</u>	
		<u>Canada</u>	<u>U. S.</u>
1920	6,811,371	5,684,800	1,126,571
1921	6,382,993	5,419,150	963,843
1922	5,869,283	4,860,933	1,008,350
1923	6,896,355	5,649,443	1,246,912
1924	6,217,744	5,115,493	1,102,251
1925	5,877,391	4,773,409	1,103,982
1926	6,166,669	4,995,171	1,171,498
1927	6,228,462	5,106,524	1,121,938
1928	6,663,081	5,534,829	1,128,252
1929	6,307,777	5,166,535	1,141,242
1930	5,355,585	4,456,010	899,575
1931	4,424,713	3,697,429	727,284
1932	3,774,266	3,174,172	600,094
1933	3,543,145	2,928,493	614,652
1934	3,915,870	3,239,138	676,732
1935	3,977,935	3,245,710	732,225
1936	4,276,108	3,466,993	809,115
1937	4,406,855	3,572,541	834,314
1938	4,041,873	3,358,973	682,900
1939	4,377,101	3,624,380	752,721
1940	5,153,213	4,321,002	832,211
1941	6,064,295	5,148,477	915,818
1942	6,670,086	5,844,800	825,286
1943	7,477,934	6,540,816	937,118
1944	7,159,824	6,263,120	896,704

STATEMENT NO. 2STATEMENT SHOWING ORIGIN OF COAL PURCHASED
FOR C.N.R. LINES IN CANADA - 1923 - 1944

	<u>Canadian</u>	<u>British</u>	<u>U.S.</u>	<u>Total</u>
1923	3451447	-	4086879	7538326
1924	2394474	-	2247806	4642280
1925	2147940	-	2147558	4295498
1926	2935665	-	1928743	4864408
1927	3406604	2162	2641417	6050183
1928	3331222	6350	2008617	5346189
1929	3237930	7921	2177219	5423070
1930	2663149	7861	1680848	4351858
1931	2216151	-	1487426	3703577
1932	2001905	-	1240246	3242151
1933	2248225	-	902197	3150422
1934	2647649	-	1086029	3733678
1935	2513930	-	988346	3502276
1936	2587128	-	1154798	3741926
1937	2679934	-	1449199	4129133
1938	2399750	-	1320248	3719998
1939	2919747	-	1046659	3966406
1940	3311540	33996	1740779	5086315
1941	3138898	-	3228135	6367033
1942	2842982	-	3665207	6508189
1943	2177555	-	4717458	6895013
1944	2296445	-	4459545	6755990

1870

1870

1870

STATEMENT NO. 3C.N.R. PURCHASES OF COAL FROM VARIOUS PROVINCES - 1930-1944

<u>Year</u>	<u>Nova Scotia</u>	<u>New Brunswick</u>	<u>Saskat- chewan</u>
1930	1,274,000	92,000	32,000
1931	1,125,000	73,000	31,000
1932	755,000	94,000	36,000
1933	1,074,000	123,000	32,000
1934	1,417,000	113,000	39,000
1935	1,196,000	137,000	39,000
1936	1,253,000	131,000	51,000
1937	1,340,000	117,000	79,000
1938	1,135,000	106,000	83,000
1939	1,500,000	145,000	82,000
1940	1,466,000	163,000	96,000
1941	1,257,000	142,000	123,000
1942	1,215,000	98,000	85,000
1943	956,000	70,000	94,000
1944	845,000	47,000	123,000
<u>Year</u>	<u>Alberta</u>	<u>British Columbia</u>	<u>Total</u>
1930	1,214,000	51,000	2,663,000
1931	956,000	31,000	2,216,000
1932	1,088,000	29,000	2,002,000
1933	991,000	28,000	2,248,000
1934	1,052,000	27,000	2,648,000
1935	1,114,000	28,000	2,514,000
1936	1,118,000	34,000	2,587,000
1937	1,114,000	30,000	2,680,000
1938	1,040,000	36,000	2,400,000
1939	1,167,000	26,000	2,920,000
1940	1,569,000	17,000	3,311,000
1941	1,557,000	60,000	3,139,000
1942	1,420,000	25,000	2,843,000
1943	1,057,000	-	2,177,000
1944	1,280,000	1,000	2,296,000

STATEMENT NO. 4.TONNAGES OF CANADIAN COAL PURCHASED BY C.N.R.ON WHICH SUBVENTIONS WERE PAID

	<u>Nova Scotia</u>	<u>Saskatchewan</u>	<u>Alberta</u>	<u>Total Canada</u>
1930-1931	-	-	17,000	17,000
1931-1932	89,000	6,000	17,000	112,000
1932-1933	15,000	4,000	8,000	27,000
1933-1934	688,000	12,000	55,000	755,000
1934-1935	881,000	-	-	881,000
1935-1936	572,000	-	-	572,000
1936-1937	623,000	-	9,000	632,000
1937-1938	612,000	-	-	612,000
1938-1939	502,000	-	-	502,000
1939-1940	978,000	8,000	88,000	1,074,000
1940-1941	112,000	22,000	227,000	361,000
1941-1942	-	17,000	198,000	215,000
1942-1943	-	12,000	85,000	97,000
1943-1944	-	15,000	3,000	18,000
1944-1945	-	15,000	3,000	18,000
Total 15 years	<u>5,072,000</u>	<u>111,000</u>	<u>710,000</u>	<u>5,893,000</u>

Total

Amount: \$4,202,198.13 \$94,685.47 \$1,185,848.30 \$5,482,701.90

SAMPLE STATEMENT SUBMITTED BY CANADIAN NATIONAL RAILWAYS
TO DOMINION FUEL BOARD TO SUPPORT EXCESS COST OF NOVA
SCOTIA COAL COMPARED WITH IMPORTED COAL

(Copy of October 1939 submission)

Mileages	<u>M ntreal & Points East & North</u>	<u>Coteau</u>	<u>Ottawa & West</u>	<u>Brock- ville</u>	<u>Kinaston</u>	<u>Belle- ville</u>
Ex Windmill Point		38	116	126	175	221
Kingston		136	111	48	-	48
Toronto		-	-	-	-	-
Depot Harbor		-	-	-	-	-
Key Harbor		-	-	-	-	-
Cost of Nova Scotia Coal						
F.o.b. cars						
C.N. Tracks	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15
O.C.S. Haul at 5 mills	-	.19	.58	.63	.875	1.105
TOTAL COST	\$5.15	\$5.34	\$5.73	\$5.78	\$6.025	\$6.255
Cost of Imported Coal:						
F.o.b. cars						
C.N. Tracks	\$4.77	\$4.20	\$4.20	\$4.20	\$4.20	\$4.20
O.C.S. haul at 5 mills	-	.68	.555	.24	-	.24
	\$4.77	\$4.88	\$4.755	\$4.44	\$4.20	\$4.44
EXCESS COST						
NOVA SCOTIA COAL	\$0.38	\$0.46	\$0.98	\$1.34	\$1.83	\$1.82

Continued on page 4704

	<u>Lindsay</u>	<u>Toronto & North</u>	<u>Brent</u>	<u>North Bay</u>	<u>South River</u>	<u>Capreol (Including Gogama Foleyot)</u>
<u>Mileages</u>						
Ex Windmill Point	306	334	278	339	356	423
Kingston	-	-	-	-	-	-
Toronto	70	-	-	-	-	-
Depot Harbor	-	-	169	118	79	-
Key Harbor	-	-	-	-	-	70

Cost of Nova
Scotia Coal:

F.o.b. cars						
C.N. Tracks	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15	\$5.15
O.C.S. haul at 5 mills	1.53	1.50	1.39	1.695	1.78	2.115
TOTAL COST:	\$6.68	\$6.65	\$6.54	\$6.845	\$6.93	\$7.265

Cost of
Imported Coal:

F.o.b. cars						
C.N. Tracks	\$4.00	\$4.00	\$4.27	\$4.27	\$4.27	\$4.24
O.C.S. haul at 5 mills	.35	-	.845	.59	.395	.35
TOTAL COST:	\$4.35	\$4.00	\$5.115	\$4.86	\$4.665	\$4.59
EXCESS COST						
NOVA SCOTIA COAL	\$2.33	\$2.50 (max.)	\$1.43	\$1.99	\$2.27	\$2.50 (max.)

Details of U.S.
coal price on
C. N. Tracks

	<u>Montreal</u>	<u>Kingston</u>	<u>Toronto</u>	<u>Depot Harbour</u>	<u>Key Harbour</u>
Mine price	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
Rail Freight	1.62	1.62	1.62	1.62	1.62
Vessel freight	.80	.58	.38	.65	.32
Discharging and Storage	.35	-	-	-	.30
Duty	.75	.75	.75	.75	.75
	\$4.77	\$4.20	\$4.00	\$4.27	\$4.24

STATEMENT NO. 6.DUTY AND EXCISE TAXES PAID ON U. S. COAL IMPORTED
INTO CANADA BY THE C.N.R.

<u>Year</u>	<u>Rate of Duty</u>		
	<u>Duty</u>	<u>Excise (A)</u>	<u>War Exchange Tax (C)</u>
1923	.53 x	-	-
1924	.53 x	-	-
1925 (To March	.53 x	-	-
(From April	.50	-	-
1926	.50	-	-
1927	.50	-	-
1928	.50	-	-
1929	.50	-	-
1930	.50	-	-
1931 (To May	.50	-	-
(From June	.75	1%	-
1932 (To April 6th)	.75	1%	-
(From " 7th)	.75	3%	-
1933	.75	3%	-
1934	.75	3%	-
1935	.75	3%	-
1936	.75	3%	-
1937	.75	3%	-
1938	.75	3%	-
1939	.75	3% B	-
1940	.75	-	10%
1941	.75	-	10%
1942	.75	-	10%
1943	.75	-	10%
1944	.75	-	10% D

Continued on page 4706

Amount of Duty

Year	Amount of Duty			
	Duty	Excise	War Exchange Tax	Total
1923	\$1,743,949.57	-	-	\$1,743,949.57
1924	1,509,833.90	-	-	1,509,833.90
1925 (To March (From April	1,148,187.54	-	-	1,148,187.54
1926	1,045,175.95	-	-	1,045,175.95
1927	1,332,288.13	-	-	1,332,288.13
1928	965,186.77	-	-	965,186.77
1929	1,079,209.95	-	-	1,079,209.95
1930	953,682.26	-	-	953,682.26
1931 (To May (From June (	972,639.20	\$17,122.27	-	989,761.47
1932 (To Apr. 6) (From " 7)	1,009,437.54	57,212.72	-	1,066,650.26
1933	650,977.77	48,949.22	-	699,926.99
1934	806,141.67	72,543.64	-	878,685.31
1935	735,777.99	67,800.58	-	503,578.57
1936	860,882.20	82,873.68	-	943,755.88
1937	1,023,255.72	100,772.25	-	1,124,027.97
1938	964,884.24	93,414.20	-	1,058,298.44
1939	734,745.51	16,975.25	-	753,720.76
1940	1,297,015.55	-	\$167,843.81	1,464,859.36
1941	2,377,756.80	-	648,694.89	3,026,451.79
1942	2,706,552.85	-	810,746.57	3,517,299.42
1943	3,284,860.94	-	1,183,999.15	4,468,860.09
1944	3,246,296.62	-	1,283,726.50	4,530,023.13

Notes: x - Duty on slack 14¢ per net ton.

A - Excise calculated on duty paid value. When Canadian funds at discount the difference in exchange also added before excise calculated.

B - Excise removed, effective April 26, 1939.

C - Tax became effective June 24th, 1940, and calculated on U.S. mine price plus premium on U.S. Funds at 11%.

D - War exchange tax cancelled June 1, 1945.

STATEMENT NO. 7COSTS OF U.S. COAL PURCHASED BY CANADIAN NATIONAL RAILWAYSRAILBORNE COAL

<u>December 31, 1939</u>	<u>Massena ex.N.W.Va.</u>	<u>Cobourg ex Ohio</u>	<u>Niagara Frontier ex Ohio</u>	<u>Detroit ex Ohio</u>
Mine Price	\$1.35	\$1.25	\$1.25	\$1.25
Foreign Freight	3.20	2.29	2.34	1.74
Duty	<u>.75</u>	<u>.75</u>	<u>.75</u>	<u>.75</u>
F.O.B. cars our tracks	\$5.30	\$4.29	\$4.34	\$3.74

September 15, 1945

Mine Price	\$2.88	\$2.96	\$2.96	\$2.96
Foreign Freight	3.20	2.29	2.34	1.74
Currency Equalization Charges	.20	.20	.20	.20
Duty	.75	.75	.75	.75
Exchange @ 11%	<u>.34</u>	<u>.35</u>	<u>.35</u>	<u>.35</u>
	\$7.37	\$6.55	\$6.60	\$6.00

WATERBORNE COAL (ex Ohio mines)November 15, 1939

Mine Cost	
Rail Freight & Dumping	
Vessel Freight	
Discharging, etc.	
Duty	

Fort William

\$1.25
1.62
.27
.35
<u>.75</u>
\$4.24

September 15, 1945

Mine Cost	
Rail Freight & Dumping	
Vessel Freight	
Discharging, etc.	
Duty	
Exchange @ 11%	

\$2.96
1.62
.40
.375
.75
<u>.50</u>
\$6.605

MR. WELBY sworn by the Chairman, with the usual proviso as to opinion and information evidence.

EXAMINED By the Chairman.

- Q There is just one question that I want to ask. Could you make available to us, if you haven't got it, a comparable statement of Nova Scotia coal and United States coal at Montreal in pre-war days?
- A That is the price?
- Q No, the amount, the quantity, for your purposes?
- A The quantity that we took in Montreal?
- Q No, the quantity that you used there. The quantity of Nova Scotia coal that you used and the quantity of United States coal that you used for your own purposes in the district of Montreal.
- A Yes. We will have to go back a good many years before you find any United States coal coming in there, because Nova Scotia coal was being used exclusively in Montreal for a great many years.
- Q I will be quite satisfied with that statement. You needn't go any further. Nova Scotia coal was being used exclusively in Montreal, pre-war?
- A Pre-war and for a good many years back.
- Q Just one more question. Would you give us a statement, if it is easily available, on the difference in costs on your oil operations in the mountain regions and British Columbia regions, the difference in cost between oil and coal in that operation, based of course on pre-war costs of coal and pre-war costs of oil?
- A And based on pre-war consumption, quantities pre-war?
- Q Yes.
- A That is for the railway alone, sir? You are not interested in the vessels at all, operating on the coast?
- Q No.
- A Yes, I think we can give you that, sir.

EXAMINED By Mr. Frawley.

Q Your two statements, Nos. 3 and 4, break down the tonnages of coal by provinces bought and the tonnages of coal by provinces on which subventions were paid. There was a great deal more coal moved under subvention from Nova Scotia than moved under subvention from the Western mines. Now are you able to say how the two things compared, tonnages purchased and the coal on which subvention was paid? Have you got that relationship worked out at all?

A On a basis of percentage?

Q Yes?

A No, we have not. We could take it out for you very easily, though; just the quantity of coal we bought in Alberta and the quantity that moved under subvention, and the same thing in the East?

Q Yes.

Q Looking at these figures, the amount you bought in the Western mines--well, in fact you bought a good deal more in the Western mines than in Nova Scotia some years, didn't you?

A Well, take the year 1940; we bought more in Alberta than we bought in Nova Scotia.

Q Now then, take the subvention you received..Of course Nova Scotia was down and Alberta was up?

A You will have to go back previous to 1939.

Q If it would not be too much trouble, if you covered the period that you have covered, 1930 to 1944, and worked out a brief statement containing that information?

A We shall be very pleased to give you that.

Q Now would you look at Statement No. 5, which is a sample statement which shows the excess cost of Nova Scotia coal compared with imported coal. Now I am interested in that, arising out of, among other things, the statement filed by Mr. Lamb from Washington the other day. Would you look at the statement and tell us which line shows the subvention paid?

A That last one.

Q Excess cost of Nova Scotia coal? You have a figure of 38 cents; is that the subvention you received?

A Yes, that came back.

Q From the Dominion Fuel Board?

A That's right.

Q And it was not very difficult to arrive at that, I take it, in view of the statement that you have made up?

A No. As a matter of fact we ^{submitted} a statement every month to the Dominion Fuel Board in this way, and then at the end of the month we gave them another statement showing how much coal we had used at Montreal on which 38 cents was going to be paid, and how much coal used at Coteau at 46 and how much coal used at Ottawa at 98, and so on, and that was the final amount credited back by Dominion Fuel.

Q And the subvention paid was 38 cents, no more or less?

A That's right.

Q Then at Coteau the difference in cost was 46 cents and you received that?

A Yes.

Q Then at Toronto the difference in cost was \$2.50 and you received that?

A Yes, although the actual difference in cost was \$2.65, but the maximum subvention available was \$2.50.

Q You couldn't have received \$2.65 so you received the maximum of \$2.50?

A That is why we referred in this brief to the fact that we had used Canadian coal at points where it had cost us some money, and were pleased to do so.

Q But wherever your excess cost was under the maximum then you received just exactly the excess cost to the cent?

A That is correct. If you remember correctly, the reading is "the difference in the laid-down costs," and we had to demonstrate what the difference in the laid-down cost was at

each of these consuming points.

Q And the subvention you received was just exactly the difference in the excess cost?

A Exactly.

Q Now on page 20 you do make the statement that the oil you use at Victoria, Vancouver and Prince Rupert is imported oil. Is that California fuel oil you are burning there?

A That is imported oil brought up by the Imperial Oil Company by tanker and delivered to us at Victoria, Vancouver and Prince Rupert.

Q Isn't it imported crude oil and manufactured into fuel oil at Canadian refineries?

A That is true. It is certainly not imported as fuel oil.

Q Now do you actually buy the fuel oil?

A It is purchased by the vice-president, purchasing department, yes.

Q Because we might be interested in obtaining something on the prices, on the technique of how you go about buying it, whether you call for tenders, and what determinants are there in arriving at the price you pay. It might be well if you would give us that.

A We would be pleased to, but of course it would have to be pre-war, because during the war we have been pretty well pleased to get our fuel oil wherever we could get it.

Q I think it would be very helpful if you would give us a precise, not too lengthy memorandum on buying your fuel oil. It might enter into the question the Chairman has asked you, the comparable costs, but I am particularly interested in the technique of establishing a price between yourself and the oil companies in filling fuel oil requirements, and it might be helpful if you would tell us what your experience is?

A We shall be very pleased to send you something on that.

- Q Now on page 24 you say that "It is suggested that instead of improperly criticizing the Railway, it might be better for the industry to recognize and acknowledge that the reason for price reductions will be found usually in the element of competition which comes from within the industry itself." Now you want to speak mostly, I suppose, for yourself rather than for the industry, but I invite your comment on whether or not a central selling agency--you are really speaking of Alberta bituminous, are you, or all the fuels?
- A I am speaking generally, although there was very little criticism, as I remember, in Alberta of our prices. There was some definite criticism in the East that we were paying too little for our coal.
- Q All right, wherever it might arise. What would you think of the advantage to the industry if there was a central selling agency and if you could deal with one selling agency for all of the coal in the district?
- A I can only speak from our experience. There has been a selling agency set up in New Brunswick and our relationships with them have been most satisfactory, and I think that through that agency a good many difficulties have been ironed out.
- Q That is you deal with the one person in the purchase of all the coal in the Minto field?
- A Yes.
- Q And you think that a similar scheme, either on the Coal Branch or in Nova Scotia, would have some advantages?
- A I think it would have some advantages. It might be difficult to work out though.
- Q Now you speak about a National Committee of Fuel Conservation, on page 27. What is that committee?
- A That is a committee which was set up I think under the Coal Controller and the Canadian Pacific and Canadian National, among others, were invited to have representatives and see what could be done in conserving fuel.

The first part of the book is devoted to a general
introduction to the subject of the book. The author
discusses the importance of the subject and the
scope of the book. He also discusses the method of
the book.

The second part of the book is devoted to a
detailed discussion of the subject. The author
discusses the various aspects of the subject and
the various methods of the subject. He also
discusses the various results of the subject.

The third part of the book is devoted to a
detailed discussion of the subject. The author
discusses the various aspects of the subject and
the various methods of the subject. He also
discusses the various results of the subject.

The fourth part of the book is devoted to a
detailed discussion of the subject. The author
discusses the various aspects of the subject and
the various methods of the subject. He also
discusses the various results of the subject.

The fifth part of the book is devoted to a
detailed discussion of the subject. The author
discusses the various aspects of the subject and
the various methods of the subject. He also
discusses the various results of the subject.

Q It is a wartime . . . ?

A Yes.

Q Now on page 33 you talk about the feasibility of the producers of low-grade coals taking steps to improve their product, but earlier in your brief you had some very interesting observations on the utilization of low grade coal in modern equipment. It makes just a little inconsistency there?

A Perhaps it might; perhaps the problem should be approached from both angles. Perhaps we should do what we can in the way of better utilization of low grade coal, which we have, and perhaps at the same time some of the producers might take some steps to improve their product, either by washing the coal, sizing, or something like that.

Q You have made real progress with Saskatchewan lignite in your stationary installations in Western Canada?

A Yes.

Q You haven't tried to burn lignite in your locomotives?

A Not yet. Whether we ever will or not, I don't know, I am not prepared to say.

Q Your Statement No. 7 shows that you had a mine cost for Ohio coal of \$1.25 on the 15th of November, 1939. Ohio is District 4, is it?

A District 4, yes.

Q And Mr. McElvaney's brief, Exhibit 214, gives us a table showing the weighted average cost of producing bituminous coal, and this table shows that in 1939 the average of costs for District 4 was \$1.76. I am just wondering whether there is any necessary conflict there, or would your figure still be correct, \$1.25, mine cost?

A Our figure is correct. You see at that time there was a free market, and I think perhaps we did a good thing. It indicates good buying, doesn't it, if you can buy coal at \$1.25 as against somebody else at \$1.70?

- Q It might also mean that you perhaps slipped by the anti-dumping rate, did you?
- A I can only say this, Mr. Frawley, that you will notice the price used on this particular statement that went to the Dominion Fuel Board was \$1.25 and presumably was okayed by them.
- Q That is a very good answer. In other words, you brought it right in under their nose and if they had any objection it was up to them? Did you have any repercussions from the Canadian industry that you were bringing in coal in such a fashion that it might be considered to be contravening the anti-dumping regulations?
- A Not that I know of, Mr. Frawley.
- Q Nothing formal, anyway, you mean? You might have heard some conversation about it, but did anybody ever take it up seriously with the Minister of Finance in Canada?
- A We are talking about 1939 now. As I understand it, anti-dumping only applies when we are getting coal cheaper than it was being sold in the home market, and I say, in the home market you could get coal at \$1.25 regardless of the fact that it was costing \$1.70 to produce, and I presume that is one of the reasons for bringing in these minimum prices, because the industry was cutting its own throat.
- Q The Canadian National were not the only people?
- A No.

12.10 P.M. - COMMISSION ADJOURNED UNTIL 2.15 P.M.

AFTERNOON SESSION

The Commission resumed on Wednesday afternoon, October 10th, 1945, at 2.15 P.M.

BY MR. FRAWLEY: Mr. Chairman, Mr. Hamilton J. Stuart, K.C., of Toronto, is here to present a brief on behalf of 19 Canadian importers and distributors of United States bituminous coal, and that will be Exhibit 231.

Exhibit 231 - Brief of Canadian Importers
and Distributors

MR. HAMILTON J. STUART, K.C., proceeds to read Exhibit 231:

B R I E F

Presented on behalf of the following Canadian importers and distributors of United States bituminous coal:

- | | | |
|-----|------------------------------------------------------|-------------------|
| 1. | Canada Coal, Limited | Toronto |
| 2. | Century Coal Co. Limited | Toronto |
| 3. | Cosgrove & Co., Limited | Toronto |
| 4. | W. H. Cox Coal Co. | Toronto |
| 5. | Empire-Hanna Coal Co. Limited | Toronto |
| 6. | The Elias Rogers Co. Limited | Toronto |
| 7. | Great Lakes Coal Co. Limited | Toronto |
| 8. | Gillies-Guy, Limited | Hamilton, Ont. |
| 9. | Halliday Co. Limited | Toronto |
| 10. | Harbour Coal Co. Limited | Toronto |
| 11. | J. Frank Jones Coal, Limited | Toronto |
| 12. | The Lake Erie Coal Co. Limited | Walkerville, Ont. |
| 13. | Milnes Coal Co. Limited | Toronto |
| 14. | Pittsburgh Coal Co. Limited | Toronto |
| 15. | W. B. Reynolds Coal Co. Limited | Brockville |
| 16. | Rochester & Pittsburgh Coal Co.
(Canada) Limited | Toronto |
| 17. | St. Lawrence Importing &
Distributing Co. Limited | Toronto |

18. The Valley Camp Coal Co. of
Canada Limited Toronto
19. Standard Fuels Limited Toronto

NOTE:- Attached hereto as Appendix "C" is a list of the cities and towns at which are located sales offices or stock piles of the above firms.

We should perhaps make it clear at the outset that none of the firms on behalf of whom this brief is presented is associated as to control or ownership with any of the others, and while there may sometimes be transactions of purchase, one from the other, each of these firms is in competition with the others in the business of selling bituminous coal.

MR. STUART: I would like to interject a remark here, Mr. Chairman, and to point out I am instructed since this brief was typed that there may possibly be one exception to this statement as to independent control and ownership. We have no first-hand information on the subject but we would like to make this reservation, sir. (Continues brief):

As importers and distributors of well over half of the annual tonnage of United States bituminous coal brought into Canada, we welcome this opportunity of presenting our views for consideration by your Commission. We wish particularly to emphasize the significance of recent changes in transport, handling and marketing and to state our position on the present system of import duties and subventions. In doing so, we shall make special reference to what we consider discriminatory taxation as between coal imports and oil imports.

Welland Canal

I

For many years prior to the opening of the new Welland Ship Canal, in 1931-32, the great bulk of American bituminous coal reached the principal consuming areas of Canada by the all-rail route. With the opening of the Welland Canal, however, Lake Ontario became part of the Upper Lakes Navigation system. Almost overnight it became possible to lower the cost of bituminous coal by shipping to ports on Lake Ontario direct

from Lake Erie ports in cargoes of from seven to ten thousand tons. The resulting growth in waterborne import of coal to Lake Ontario ports is indicated by the record of through shipments of American bituminous coal down the Welland Canal. According to the Dominion Government's annual bulletin entitled "Canal Statistics", these shipments rose from an average of less than 600,000 tons in 1927-1929 to almost two million tons in 1931 and to 2.8 million tons in 1934 despite the decline in aggregate coal imports during the depression.

BY THE CHAIRMAN: Do I understand that 600,000 tons was water transportation?

MR. STUART: Water transportation, yes. (Continues brief):

Subsequently they rose to 3.6 million tons in 1937 and to over 4 million tons in each of the four years 1941 to 1944.

The coal traffic down the St. Lawrence was not influenced by the Welland Canal in the same way. Waterborne coal had for many years moved down to Montreal, being transshipped from the railroads mainly at the Lake Ontario ports of Oswego, Sodus Point and Charlotte, N.Y. This traffic which has to move in the smaller, canal size vessels, was not materially affected by the opening of the Welland Canal during the nineteen thirties and was restricted by stiff competition from Nova Scotia coals, the more so as these were, in some cases, subsidized.

During the years 1941-44, the movement of American coal down the St. Lawrence suddenly increased. It rose to eight times the level of the middle nineteen thirties; much of it now coming via the Welland Canal. This eightfold expansion of American supplies moving down the St. Lawrence to meet the needs of war is highly significant. Without reflecting on the capacity of our friends in Nova Scotia, it demonstrates that during the recent war, the United States mines have been in a better position to serve Central Canada than have the mines of the Maritime Provinces. United States coal mines responded to the exceptional demands of war with a marked increase in output,

despite fewer miners, whereas Nova Scotia output fell appreciably. In view of recent experience in the Gulf of St. Lawrence moreover, it should be remembered that Central Canada's lines of communication with the American coal fields are immune from attack by hostile submarines and surface craft.

Strategic considerations based on actual experience therefore emphasize anew the importance to Central Canada of the vast coal fields south of the Great Lakes. Twenty-two years ago, when a committee of the House of Commons inquired into the Canadian fuel supply, the feeling was that national policy called for much less reliance on American sources in time of war and that coal supply was a major post-war problem second only to the railway problem. Such views are not common today, at any rate in Central Canada, where, if anywhere, one might expect genuine concern to arise.

It is only fair to say that the anxieties of 1922-23 at first appeared mainly in connection with anthracite and that they arose from rumours as to the impending exhaustion of the American anthracite mines and a suggested embargo on export of American anthracite to Canada. Since that time Canada's dependence on anthracite for household use has been reduced by resort to coke, oil, stokers for firing bituminous coal, and improved methods of conserving fuel. It seems necessary to add, however, that the anxieties with respect to American anthracite somehow became transferred to American bituminous coal, where assuredly they do not belong since the supply of bituminous coal is almost inexhaustible.

Technical Improvement

- II -

To return to the movement of coal after the opening of the new Welland Canal. The improvement in the technique of handling coal was not limited to the use of the large bulk carrier. Self-unloading colliers were developed, which now carry eight to nine thousand tons of coal and discharge in excess of a thousand tons per hour. This specialized equipment

represents a considerable capital investment. The self-unloader makes it possible to deliver cargoes economically at the many ports whose traffic did not justify the heavy expense of installing an unloading equipment on the dock. This was a technical improvement of first importance.

Large shipments, brought in during the summer and stored on the docks through the winter, called for a type of importing and wholesaling firm not hitherto well developed. Firms engaged in such trade, embrace the services of importing, dock handling, storing and wholesaling. They must be able to assume the substantial risks involved in acquiring and carrying coal in enormous quantities for resale over many months. These services most of us perform. Detailed description will be found in Appendix "A".

Use of water transport and winter storage on the docks enables us, under ordinary conditions, to realize substantial economies in the laid down cost of coal, owing to the lower transportation costs for a combined rail and vessel movement, especially where private sidings are not available. All in all it seems no exaggeration to say that the great advances in the mining and handling of coal in the United States have been paralleled by corresponding improvements in the methods of distribution in Canada. The resulting economies tend to be passed on to consumers, because of keen competition, there being some 50 firms in the trade. Unfortunately, however, consumers have not been able to reap as much benefit as one might expect, owing to increases of cost which are beyond our control, namely the higher import duty imposed in 1931, the increased cost of U.S. currency since the outbreak of war and the 10% War Exchange Tax (now removed).

Storage Ensures Continuous Supply All Year

The building of storage docks along the St. Lawrence, on Lake Ontario, Lake Erie, and at various points up to the head of the Lakes, has materially improved Canada's ability to

receive and hold essential stock piles of bituminous coal.

It need hardly be emphasized that the existence of these stock piles, accumulated during the summer season at strategic locations, is a protection against stoppage of coal supplies in winter by such interruptions as mining and railroad strikes, heavy snowfall or floods. In cases of emergency the stock piles in one area may be used to relieve a shortage in another area. It will be remembered that during last winter the dislocation of railway transport, owing to the heavy snow, caused serious coal shortages in parts of the north eastern United States. In Ontario, the shortages of bituminous coal in areas served from our stock piles were of local origin only, and were rectified as soon as streets were cleared of snow. The coal was there.

Depressed Years

- III -

Most branches of the coal trade, the world over, were depressed from the end of the first Great War until 1940, and the bituminous trade in both the United States and Canada has been no exception. This prolonged depression, during which excess capacity prevailed, prices remained low and production and sales failed to increase, was usually attributed to two circumstances: first, the appearance of the newly discovered sources of energy in the form of oil and hydro-electricity, and second, the more economical methods of using coal. As information on these matters is already available to the Commission, our task is rather to emphasize the exact nature of the situation we now face, and to indicate the bearing of government action upon it.

Oil Competition

Competition from oil fuel has become very severe in recent years. Within the last twelve months, conversions from coal to oil in Greater Toronto, on the part of forty-eight industrial and commercial consumers, have displaced an annual consumption of some 70,000 tons of industrial coal. These are

cases of which we have authentic record, from approximately half of the fuel dock trade in Toronto. We believe that the total displacement, industrial and domestic, considerably exceeds the amount stated above, and that it would more nearly approach 100,000 tons in the same period. In parts of southern Ontario outside the Toronto area, details of a further displacement of almost 37,000 tons have been reported in the same period. These figures do not include some 20,000 tons in plants which formerly used oil and have now returned to its use in Toronto area.

The displacement of coal by oil has been furthered by the increase of duty on coal in 1931. Crude oil imported for refining enters duty free (item 267 (1) of the Canadian Customs tariff). Bituminous coal, on the other hand, is subject to a duty of 75¢ per net ton. This duty amounts to some 20-25% of the price of coal at the mines.

We do not think that the Government of Canada intended to adopt a tax policy for encouragement of oil and discouragement of coal. Such a policy would serve to displace one type of imported fuel by another without any benefit to Canadian coal mining. At the same time it would render Canada more dependent upon a fuel which, as present oil fields become exhausted, would have to be drawn from increasingly distant areas, probably across the sea. Whatever the Government's intention, this is the ultimate outcome to which the present discrimination leads.

We need hardly add that the differential in favour of oil tends to lower the demand for Canadian as well as for American coal. A tariff which brings this result is surprising, to say the least, in view of the Canadian fuel policy as propounded by the Dominion Fuel Board.

BY MR. FRAWLEY: What do you mean by that, Mr. Stuart?

MR. STUART: By which?

Q What do you mean by "the Canadian fuel policy as propounded

by the Dominion Fuel Board"?

A. That was taken from a report that Professor MacGregor read.

PROF. D. C. MACGREGOR: The Dominion Fuel Board issued an interim report in 1923 and what was described as a second progress report in 1928. They state that they do not themselves make policy but they undertake to formulate a policy as they interpret their instructions.

Q. That was that?

A. There are a number of points in their first and second reports. They are scattered from place to place within the documents.

Q. We would have those documents, but would you just in a few words indicate what they propound as being the Canadian fuel policy?

A. I couldn't, sir, in a moment, a single sentence.

Q. Well, would you consider the matter and add to what Mr. Stuart has said?

A. I would be glad to.

MR. STUART continues brief:

It is a well recognized principle in the theory and practice of fiscal policy that commodities which can be freely substituted one for the other should be taxed at equivalent rates. If tea is to be taxed, then a corresponding levy is required on coffee (on the assumption that the Government is indifferent as to which beverage is consumed); if red wine is to be taxed, so also must white wine; if cigarettes, then smoking and other tobaccos. This principle is ignored in the case of coal and oil, and we suggest that the differential in favour of oil is large enough to provoke a rapid substitution of oil for coal among industrial users. Where the fuel consumption of a plant amounts to thousands of tons per year, a small difference in price would be enough to cause the displacement.

The number of industrial conversions to oil indicates

that there is now a price differential against coal. We do not have on hand the facts on which to make a representative comparison and would respectfully suggest that this be investigated by your Royal Commission.

BY THE CHAIRMAN: You mean as to the comparative costs of oil and coal to the consumer?

MR. STUART: That is as to the price differential.

BY MR. FRAWLEY: Well, what is it you think should be investigated?

BY PROF. MacGREGOR: We attempted a comparison on the basis of heat value, B.T.U., of the representative kinds of coal and a common grade of fuel oil. We did not have a sufficient amount of information on the two items to make a representative comparison. It is a rather difficult matter, especially in view of the fact that fuel oil apparently sells on varying bases, according to where it is offered and by whom, being to some extent a by-product. We didn't feel we had sufficient information to make a representative comparison.

BY MR. FRAWLEY: You think if we went into those places where you say there has been conversion, and investigated prices of coal before they converted as against the price of oil after they converted, that would give us the information?

PROF. MacGREGOR: That would be the thing.

BY MR. FRAWLEY: Would you assist us by giving us the names of some representative people who have converted and from whom we could make inquiries?

PROF. MacGREGOR: We can do that, sir.

MR. STUART continues brief:

For these reasons, we recommend the removal of duty on United States bituminous coal. To remove this duty would serve two purposes: it would enable consumers to purchase coal correspondingly cheaper and in so doing would help to place coal in a more competitive position with oil.

BY MR. FRAWLEY: You realize, of course, that that is hitting at the very fundamentals of Canada's fiscal policy?

MR. STUART: That's right.

Q You are here representing people who are just importers of American coal?

A That is true.

Q They are not identified with the manufacturing industry of Canada except in a secondary or indirect way?

A That's right.

Q Well now, how far will you go in recommending the removal of duty on such things as Ford automobiles and furniture manufactured in the province of Ontario?

A We have had some discussions on that in our meetings and I think Prof. MacGregor would be in a better position to answer than I am.

Q Would he like to expand on that now or later?

A Just whatever is agreeable to your Commission.

Q We would like to know how far you people are prepared to go in conforming this submission with the more general question which is immediately involved?

PROF. MacGREGOR: If I may take the liberty of drawing your attention to a paragraph on page 10, which is an introduction to what I have to say.

MR. STUART: Perhaps I had better read that far. (Continues brief):

The ramifications of any trade are wide, and the coal trade is no exception, but we submit, with the greatest respect, that we should not be required to express views on other aspects of fiscal policy. That these other aspects may have a bearing on the government's treatment of coal is true, but we do not presume to instruct the government in high policy. We are endeavouring, however, to lay before your Commission the reasons against restricting the flow of American bituminous coal into Central Canada where there exist no economical alternative sources of industrial coal.

BY THE CHAIRMAN: Would it serve your purpose just as well if the government put a proper duty on imported oil?

MR. STUART: I think that is a question that we would not be prepared to discuss, sir.

Q Well, after all, we are here not only to consider the coal policy that should be applied to Ontario or the central parts of Canada; we are here to get some information as to the coal policy that we should apply to the whole economy of Canada.

MR. STUART: May I ask Professor MacGregor to answer your question on that, sir?

PROF. MacGREGOR: First of all, sir, with respect to your present remark, it is I think pretty generally recognized that the cost of coal is an important item in certain instances and submissions have been laid before this Commission by the pulp and paper industry and by the industrial consumers of coal to that effect, I think. It is possible that submissions might be prepared by other users of coal if that were considered relevant to the Commission's proceedings. The cost of coal in certain heavy industries is a very heavy element in determining where those industries should locate. It would be difficult to bring compact evidence to support this point, but there is a large amount of evidence in the history of modern industry to show that industry tends to concentrate fairly near to its source of coal. One reason for that is that the cost of coal is on the whole a fairly stable element in costs as compared with the fluctuations which you have in the price of a raw material such as rubber or cotton. It is stable because of the large amount of labour cost involved and the large amount of freight; more especially stable in the case of rail freight, where rates are fixed. Coal is something on which a producer can figure more accurately than other things, and if he can get his coal more cheaply in one place than another he will locate there.

In the case of Canada, there are producers who have the alternative of remaining in the United States as against opening a branch in Canada, or of remaining in England as against opening a branch in Canada, or an English firm which might consider opening up in Canada or the United States. Such firms as must reckon coal an important part of costs will consider every reduction of 10 or 25 cents in the price of coal as a factor in determining their location, and I think it needs no more emphasis than to remind you of the hundreds of industries of which we have records in this country to show that there is a fringe of industry where coal is perhaps the determining item. We believe--and now this is perhaps a somewhat theoretical argument--if coal can be brought down in price there are certain heavy industries which would locate in the central provinces, or would expand in the central provinces, on the strength of that factor alone.

BY COMMISSIONER McLAURIN: What, for instance?

A I think it has been shown in the case of the manufacture of refractories.

Q They are protected already by the tariff?

A They complain that certain of their products come in free from the United States. That is a statement which they have made before this Commission, and they remark that if their coal is dutiable they are then at a disadvantage. I have not been able, gentlemen, to present an analysis of the statistics which might be brought out from the Dominion Bureau of Statistics records. They prepare statistics for about 200 industries, and they show among other things the cost of coal in relation to the total cost of production, and in some cases they show Canadian and imported, and break down coals to show whether bituminous or coke or so forth. We think that a study of that material, although it may not be so precise as some would like, would illustrate the point I am trying to make. Coal is a big item in the cement industry, the brick making

industry, even in such an industry as tanning. I am afraid I have enlarged on this somewhat.

BY THE CHAIRMAN: Of course cheap production is one of the reasons that so many industries went into the province of Quebec, because they got cheap labour there. Do you suggest there should be a representation made that the people of this country should work for less wages in order to give the manufacturers an opportunity of getting cheap production?

A I would not care, sir, to make any general suggestion without knowing the specific circumstances of time and place.

Q Oh no, but you don't know all the circumstances with regard to coal either, I take it. You see, the fact that there would be less coal production in this country than there is now--and that would be the result of your proposition to take the duty off coal--there would be less coal production in this country and it would very much decrease our national income. Looking at it from the whole broad Canadian viewpoint, do you think that your suggestion is one that will favourably increase the economic conditions of Canada?

A You are asking me to equate a number of forces, sir, which it is very hard to give a value to. I would suggest that the establishment of industries in Central Canada which might not otherwise be found anywhere in this country would add to this country's production, possibly to its population, to the tax revenues of the dominion government, quite possibly to the demand for products which are produced in the Maritime Provinces. I am not prepared to say it will bring about a sufficiently large demand for Maritime or Nova Scotia coal --

Q My question has nothing to do with the Maritimes. It is true I should be more interested in Maritime matters than I am. I am looking at the whole Canadian economy. Where would your proposition end, if your proposition is that the only people in this country who should be assisted are the manu-

facturers. If it is for export, all well and good; you may have something in your idea then. If those manufactured goods are all for export, well then, fine.

A That, sir, has been very much in our minds. I am sorry I have not the figures here but I think it is no exaggeration to say that Ontario is a great exporting province. All of her gold, almost all of her base metals^{papers,} are exported, and in the aggregate the value of these things runs into a good many millions of dollars.

Q Well, the paper industry of this province can get much cheaper power than coal?

A I think that is true of the province of Quebec, but I don't know about Ontario.

Q Well, perhaps not.

BY COMMISSIONER McLAURIN: Before you leave this, Professor, you have this sentence in the paragraph: "The ramifications of any trade are wide, and the coal trade is no exception, but we submit, with the greatest respect, that we should not be required to express views on other aspects of fiscal policy." I take that sentence as meant to suggest we should restrict our inquiry as to how a change in fiscal policy with respect to coal strikes the country?

A I am sorry; I don't quite understand your question.

Q You are saying: "With the greatest respect, we should not be required to express views on other aspects of fiscal policy." The only view you have expressed is that there should be a removal of the duty on coal?

A That is the view which we express, yes.

Q All right. And you have a fiscal policy which is pretty well determined by what the requirements of Central Canada are. I am not quarrelling with you. I mean there has been a development here to some extent, apart from tariffs there might have been a free flow of New York and Ohio development in this country even if we had never had an 1879 national

policy. When you are talking about coal you are suggesting the removal of tariffs. Now I take it you admit you can't have a regional removal? You can't have tariffs one place and not elsewhere?

A If I may interject at this point, there are two evidences of regional application in the Commission's proceedings, and there may be more. One relates to a wartime measure in respect to anthracite into the Maritime Provinces by sea from overseas.

Q But you can't call that a peace-time, permanent thing. That was just to meet an emergency. I don't think you would be fair in suggesting that that is something that you could treat as a peace-time, perpetual policy. Can you give me any peace-time example?

A With respect to bunker coal, a submission was made before you in Montreal on exemption from duty at ports above Montreal.

Q I know; Rochester & Pittsburgh made it. What I am inviting you to do is to tell me of any example in fiscal policy where we have had a regional tariff, or for that matter in the experience of the United States, which is our tutor in matters of tariff?

A I can't offer any.

Q There is none, as far as you know?

A I am not aware of any. An indication of one was given to me in connection with some operations in B.C. lately.

Q Well, subject to that then, you see where this argument takes you. You have got a bituminous coal in the West--I am not making these observations in any sentimental way because I happen to come from the West; I am doing it with complete intellectual detachment. You have a bituminous coal in the West. My temperament is one to let things find their economic foundation. That coal, without a 75 cent tariff on bituminous coal, couldn't probably move eastwards any further than Saskatoon. With that 75 cent tariff it can

probably move at least as far as the Manitoba boundary without any subventions. Now you realize that the recommendation you are making is to that extent completely prejudicial to an industry out West, which enjoys none of the fiscal advantages generally of Ontario and which yet by your recommendation would suffer?

A I would submit, sir, that our recommendation in respect of the tariff, at this point might be considered in relation to our remarks on subventions later in the brief. I think you will find we have anticipated some of these difficulties and that our main concern is that the administration should be exceedingly careful.

Q If you are going to take something away from the West and give them a hand-out in the way of subventions you are destroying the knock-down-drag-out aspect that you are inviting in the matter of oil and coal. I mean, where is your free enterprise if you have "Fix it up for those people and now we are going to give somebody else a hand-out and that squares the deal"?

A If I may say so, I think that this discussion is a little premature in view of what Mr. Stuart has asked me to read. If I might have the opportunity of reading the addendum which Mr. Stuart mentioned a little while ago?

BY MR. FRAWLEY: Let me put to you something that has been confusing me. Let's assume you are entitled to get coal at the lowest rock-bottom price because you need it as an important element in Ontario industry. There is a way of getting that to you at as low a cost as American coal. Government assistance could give you the Nova Scotia coal or the Alberta coal at exactly the price you are paying for United States coal.

A I think, sir, we are concerned with the over-all cost as taxpayers, Ontario paying a substantial part of the taxes.

Q You say that you are not in favour of that method of equaliz-

ing your cost of United States coal?

A I think, sir, one has to reckon cost in the case of industrial coal in more than terms of simple dollars and cents per 2,000 pounds, even of a given B.T.U. It is well known that coal has different properties, chemical and physical properties, which distinguish coals and make certain coals quite unsuitable for the rather specialized demands of the industrial system. I think evidence has already been presented, and we will make some reference to the same matter, that Nova Scotia coals are not capable of satisfying all of these demands. I think then it would be a mistake to conclude that it is possible, by any policy of subventions, to put Nova Scotia coals on an equality with other coals in all respects.

Q You agree with me that physically it could be done if the national treasury wished to pay for it?

BY COMMISSIONER McLAURIN: Don't you think we should postpone this?

A Physically, in the sense of a transportation problem, I agree. Physically, in the sense of the physical properties of coal, I do not.

BY MR. FRAWLEY: As Mr. Justice McLaurin says, there is a more appropriate place to discuss this, but I would like to discuss with you the comparable advantages and disadvantages of the Canadian tariff policy with the coal subvention policy. If there is a more appropriate time perhaps we can do it later.

BY COMMISSIONER McLAURIN: You get in a weak position when you have to support both tariffs and subventions.

BY THE CHAIRMAN: How are you going to pay the subventions unless you have a tariff from which you are getting something to go into the exchequer of the country? By a little more taxation, and Professor MacGregor objects to that. All I want you to do is to take a view of this thing that extends from the Rocky Mountains to Cape Breton Island.

BY COMMISSIONER McLAURIN: I suggest we finish the brief.

PROFESSOR MacGREGOR: I think you will find we have anticipated a number of matters. If I may read the following into the brief . . .

BY MR. STUART: Do you want to read it now?

BY MR. FRAWLEY: What is this? Now this is something which you do not have in the brief?

PROFESSOR MacGREGOR: This is a supplementary statement in answer to your general question, answers in part your general question as to the tariff.

BY COMMISSIONER McLAURIN: Is this the proper time to put it in or would you rather have the rest of this thing first?

PROFESSOR MacGREGOR: I think this is the proper time, sir.

MR. FRAWLEY: We can go back to the discussion.

PROFESSOR MacGREGOR: Yes, but I think this is the proper time. I think you will find it easire to proceed.

"In answer to the request for free importation of bituminous coal, Canadian coal producers in Nova Scotia and Alberta have argued that it would be unfair to permit free entry of coal while retaining protective duties on manufactures."

I think, sir, that is the point that you drew my attention to?

BY COMMISSIONER McLAURIN: That is the point.

PROFESSOR MacGREGOR continues:

"It is submitted however that a protective duty on bituminous coal is not on all fours with a protective duty on finished products such as automobiles or washing machines, for several reasons.

1. Bituminous coal is primarily an industrial material and it has been the practice to admit most industrial materials free of duty or at very low rates."

BY COMMISSIONER McLAURIN: Is that true? The oil industry of Alberta is still paying for all its oil equipment. All the coal equipment that is used in Alberta mines pays a duty.

PROFESSOR MacGREGOR: I am using the word "material" here in the sense of raw material as distinct from equipment--raw cotton, raw rubber, raw wool, raw sugar.

BY MR. FRAWLEY: Of course you remember that the oil people did, by dint of effort, get the duties removed on oil equipment?

PROFESSOR MacGREGOR: I am aware of a great distinction between raw material and capital equipment. (Continues reading:)

"It is a material, moreover, which is used in almost every industry, and whose cost enters into the cost of a finished product at successive stages. Thus a tax on coal, while it may not add more than a fraction of one cent to the costs of production at any one stage of manufacture, may nevertheless add a considerably higher percentage to the cost of the finished article when delivered to the ultimate consumer, the enhanced cost of coal to railways, warehouses and shops being added to the coal costs at various stages of production."

This is particularly true where metals pass from one stage to another during the course of fabrication.

BY COMMISSIONER McLaurin: They get a draw-back?

PROFESSOR MacGREGOR: They do in certain cases, but I am not aware that it is universal. I believe in the case of agricultural implements it is true, but I am not aware elsewhere. (Continues reading):

"The desirability of duty-free industrial coal has already been recognized in the provision of drawbacks on coal used for primary metallurgical purposes and for manufacturing agricultural implements."

I may say it is very difficult, in my experience, to get information on drawbacks.

BY MR. FRAWLEY: Coal Control should tell you.

PROFESSOR MacGREGOR: I have trouble finding the sort of detail on drawbacks which you get on duty. (Continues reading):

"2. The infant industry argument for a protective tariff, which promises lower costs as an industry grows larger behind the tariff wall, does not apply to coal production in Nova Scotia. Instead of bringing about lower costs, further expansion of the Nova Scotia coal industry is expected by the operators themselves, as indicated in the proceedings at Sydney, to hasten the day when the level of costs rises as mines are pushed farther out to sea and to lower levels or into narrower seams."

You have something on that, I think. Mr. Wade questioned on the matter. Mr. MacLanders expressed the view that the operators felt it uneconomic to go beyond a certain point, and that especially with regard to one of the smaller mines. (Continues reading):

"In Alberta the industry, though different in many respects, does not give promise of lower costs as operations are increased, since the individual mines are already considered to be of economical size. It is of course possible that Alberta mines are not yet working the best coal deposits; here what will be required, as soon as transport is available, is a diversion of labour and equipment from less favored coal deposits elsewhere in the province.

"The principle involved at this point has been well formulated in Australia, where it has been argued that, while primary industries tend to a lower average efficiency as they push into the exploitation of poorer or more remote natural resources, manufacturing industries encounter no such limits to their efficiency. (The Australian Tariff, An Economic Enquiry. Melbourne, 1929)."

If I might illustrate with an example: If someone were to propose that the production of white pine in the province of Ontario could be increased by some form of government aid, subsidy, I think it is fairly clear that on account of the exhaustion of white pine in Ontario, increased production could only be obtained by going farther into the woods to those

remaining stands of white pine that one has heard about, and this could only be done at great cost. That is an industry whose general scale of operation could only be expanded by a very considerable increase in costs.

BY COMMISSIONER McLURIN: By a tariff.

PROFESSOR MacGREGOR: That is the type of industry where expansion does not realize the economies that are ordinarily associated with large scale operation.

BY COMMISSIONER McLURIN: Take the white pine argument. The only way to compete against Southern pine is to have a tariff as high as Haman's gallows to keep it from getting in.

PROFESSOR MacGREGOR: I took the opportunity of mentioning it because I think it is an example in Canadian terms. The Australians had in mind the expansion of their pasture resources, where the additional development meant pushing farther and farther. (Continues reading):

"3. Many protected manufacturing industries keep well abreast of their prototypes in the United States and Great Britain, though at a somewhat higher scale of costs owing to the small Canadian market. This is obviously true of branch plants which produce the same products as the parent companies abroad. The efficiency of the branch plants presumably improves at about the same rate as the efficiency of the parent plants, though it is on a lower level."

That is, Canadian prices are somewhat higher than American, but if you take the prices the spread is about the same. There has been an improvement of equipment. Very often they order a few more machines for Canada and they come across the border and are installed here. We do get the benefits of the improvements but there is a somewhat higher overhead charged against them.

BY COMMISSIONER McLURIN: Ontario and Quebec get the benefits, unless you have a new deal as the result of the Dominion-Provincial conference. There are some depressed areas of Canada that don't get the benefit.

PROFESSOR MacGREGOR: I admit they are getting more, but I do suggest at this point that we are talking about a long-term tendency. The next sentence I think will show that. (Continues reading):

"The efficiency of Nova Scotia coal mines has not however improved at a rate comparable with the increasing efficiency of United States mines, to judge from the figures of coal output per man day since 1910."

There is a dearth of financial information on the efficiency of Nova Scotia mines in terms of dollars and cents and in distribution of their earnings as reserves. I would like to go further, but that is all that is available to us. (Continues reading):

"The western Canadian mines do not require protection in their adjacent markets. . ."

BY COMMISSIONER McLAURIN: That's wrong. You can't say that Manitoba is an adjacent market to that field. I think if you are going to have a fiscal policy that protects and hurts, and is paid for by both places, that the Western miner can legitimately ask for protection just as well as the Eastern manufacturer, and if you are going to have a formula that is fair you have got to give it both West and East. The removal of this 75 cent duty chases every Western bituminous operator back to Saskatoon. Now your formula may be, "We will fix it all, put in a subvention." When you get to that I will argue that out with you. You haven't got to that yet.

PROFESSOR MacGREGOR continues reading:

"4. The Western Canadian mines do not require protection in their adjacent markets, whereas Ontario manufacturers frequently do, owing to the low cost of carriage of manufactured products."

I have in mind goods made in Buffalo and Detroit, Chicago and New York, to which Ontario is exceedingly adjacent.

BY MR. FRAWLEY: When you say adjacent, do you mean adjacent nationally?

A Yes. You have the most highly industrialized and most efficient part of the United States just across the border from Ontario, while my impression is that the most efficient American coal mines are far removed from the province of Alberta.

BY COMMISSIONER McLAURIN: Oh, don't fool yourself about that. I will take you to mines in Montana and Wyoming that will make Kentucky and West Virginia look sick--15 tons per man-day production, electric haulage and shuttle cars and everything the most modern mine in the United States has got you will find right plunk up against Alberta.

PROFESSOR MacGREGOR: That is an expansion of their efficient mechanical equipment?

BY COMMISSIONER McLAURIN: Yes, and God-given conditions. But the Alberta producers are quite ready to go in and fight their way into that market as best they can. They don't want subventions or protection. They are ready to go in and fight the Americans on their own ground and do the best they can.

A We haven't been greatly concerned with the position of Alberta bituminous coal producers. It is not as important in Ontario as Alberta anthracite.

Q It is the bituminous coal that keeps the main lines of our transcontinental railways going, and if we don't have those railways we don't have confederation. You see, we have a particularism that you know as well as I do growing up in this country, and if we don't destroy that we have a Western country that would just as soon deal with Minneapolis and Chicago as with Toronto and Montreal, and as I see it we are getting into this broader field, in spite of your statement that we are just going to deal with coal. Coal flings us into the wider ramifications. Now what are we going to do? I realize you can't remake the Ontario picture in a day. We have had protection since 1879. It would be fallacy to with-

draw those tariffs without a deal, but to what extent is protective, fiscal Central Canada ready to make a deal? Mr. Truman and Mr. King might tomorrow be able to make a reciprocal agreement that would cut 15% off glass and textiles. Is Central Canada ready to give up their protective tariffs or is their position just take the duty off bituminous? If you are going to have a formula, let's play the formula right across the board and be fair with one another.

A I am afraid I have no authority to speak on those matters.

BY THE CHAIRMAN: The reason he wanted to keep clear of saying anything derogatory of the West is because this Commission is rather overloaded with Westerners.

BY COMMISSIONER McLAURIN: I perhaps talk too much.

PROFESSOR MacGREGOR: If I might add a word? There is in one of the appendices of the Report of the Royal Commission on Dominion-Provincial Relations a comparison of tariff levels in this country during the twenties, as they stood I think about 1928, as they stood after the Ottawa revision in the early thirties and as they stood after the downward revision of the late thirties, about 1938.

BY COMMISSIONER McLAURIN: In the middle thirties, 1935. The rest of the country had a change of heart, whether Ontario had or not.

PROFESSOR MacGREGOR: The extent to which the existing administration succeeded in restoring the status quo after the depression can be tested by reference to that material. I think it may be of interest to the Commission.

BY COMMISSIONER McLAURIN: As I regard it, it is a problem where sacrifices are going to be made, and they ought to be made by all parts of the country.

PROFESSOR MacGREGOR: If I might, with great respect, submit that our fiscal situation was altered a year ago last July with the passing of the Family Allowances Act. That appears to be a factor in balancing the situation.

BY COMMISSIONER McLAURIN: Not until you have got your taxation picture revised. If the provinces of Ontario and Quebec are going to maintain their head office picture and say, all these head offices are our corporations, and not offer to make any revision--in short, whether Mr. Duplessis or Mr. Drew are ready to agree to that, why Family Allowances to impoverished provinces may prove a snare and a delusion, because they will be left with all their other impoverished resources to pay them themselves. Don't you agree with me? I think you do.

A I would not forecast the outcome.

BY MR. FRAWLEY: How can you escape an examination of the fiscal policies as they apply to Central Canada when you are considering the rightness or wrongness of continuing subventions on Nova Scotia coal? Is there anything unfair in a Nova Scotia coal miner or operator saying that he wants a hand-out as long as a Central Canadian industry is getting assistance in the form of duties? One is direct, and the other is indirect. Do you not think this Commission has got to consider the rightness or wrongness, soundness or otherwise, of the assistance to Nova Scotia mines in the light of the assistance that is being given to Central Canada?

BY COMMISSIONER McLAURIN: I will tell you what I suggest, Mr. Frawley, as being the worst perpetrator of too much talk. I would suggest that they read the rest of this brief right there, and I will try to be quiet, and then after they are all through--because there may be something we are anticipating--after they are all through we can have the discussion.

BY MR. FRAWLEY: I would like to have Professor MacGregor really make some observations on that.

MR. STUART continues reading Exhibit 231

--IV-- Growing demand for increased varieties of coal.

We now turn to another aspect of the marketing problem, namely the altered character of the demand for coal. It used to be that the individual hand-fired boiler or furnace could be operated satisfactorily with what were regarded as standard sizes.

In the search for more economical ways of using coal, manufacturers have developed a variety of mechanical stokers, ranging down to household size. While stokers have been in use for half a century in some of the large boiler installations, it is only during the last fifteen or twenty years that they have been introduced in small industrial plants and in dwellings.

In order to meet the changed demand, we now handle a wider range of bituminous coals than were handled a quarter century ago. Today coals come from Kentucky, West Virginia and Virginia as well as from the older sources of supply in the states of Pennsylvania and Ohio. These coals cover a great range of chemical and physical characteristics and are thus able to satisfy the diversified demand of modern industry. They are prepared moreover in upwards of twenty sizes. This should be compared with the situation regarding Canadian coal, evidence of which has already been provided in the submission of the Industrial Consumers of coal in Hamilton. (Volume XXXIV, p. 3125-8).

The growing demand for numerous carefully selected and prepared coals, arising as it does mainly from the progress of combustion engineering, has in many respects been favorable to coal in meeting the competition of oil and hydro-electricity. At the same time it has made coal distribution a more exacting business and entails increases in the use of dock space, handling equipment, and greater skill in lake forwarding.

-- V -- Subventions

Since 1924 the government has aided the transportation of Canadian coal to Ontario and Quebec by several forms of

assistance usually known as subventions. Recently your Commission has been asked to recommend not only that these subventions be maintained but that they be substantially increased. We can understand the desire of Canadian coal producers to reach the markets of Central Canada. Also we can understand (but may not always agree with) the viewpoint of the Dominion Government in paying large subventions in certain cases of emergency, such as an acute unemployment crisis, or in the foreign exchange situation of 1940-41. There is a vast difference between assistance over an emergency and assistance on a permanent basis.

BY COMMISSIONER McLURIN - You say there has been a demand for their increase. I just forget the time, have you a record of that? I just can't recall it. You say "Recently your Commission has been asked to recommend not only that these subventions be maintained but that they be substantially increased." Let us know what you have in mind?

A. Yes, Sir.

MR. STUART continues brief

It appears that in some cases, owing to the short rail haul, the subventions have involved a relatively small cost to the public treasury in comparison with the benefits secured. There have been other cases, where owing to long rail haulage, subventions have been exceedingly costly in relation to benefit obtained. As an example of costly aid we may mention the evidence already given to this Commission by Professor R. W. Angus (proceedings p. 3123) on behalf of the Consumers of Industrial Coal in Hamilton, where, owing to subventions, it has been to the interest of the shipper to send Nova Scotia coal from Montreal to Hamilton by rail rather than by the much cheaper water route. There is obviously some point beyond which the cost of subvention is not justified by the benefit.

Considerable sums of money have been expended for assisting Nova Scotia coal mines over the last fifteen years, without

apparently placing the production of coal on a much more economic basis.

BY THE CHAIRMAN - What are those outside of subventions? What sums of Government money have been expended outside of subventions? Are you referring to war time subsidy?

BY MR. FRAWLEY - Other than subventions, what assistance has been given?

BY PROF. McGREGOR - This refers to subventions, that is what we had in mind.

BY COMMISSIONER McLURIN - The war time picture, I take it?

BY THE CHAIRMAN - I suppose why you are picking out Nova Scotia from the other places of producing coal in Canada, is that they are the only people who can compete with the distributors of coal in Ontario by subvention?

BY PROF. McGREGOR - With respect to bituminous coal we have taken the attitude that within the Province of Ontario it is not likely that large quantities of Alberta coal would be shipped.

BY THE CHAIRMAN - That is right, and that is the reason you are picking out Nova Scotia mines for criticism, because they are the only coal operators that under subvention can compete with the coal that you import in Ontario?

A. That has been the experience.

MR. STUART continues brief

Surely some more permanent and less costly solution can be found. If there is no alternative and subventions are considered expedient for short hauls, then it is desirable that assistance be so given as to provide assurance that the financial benefits from subventions will be constructively applied.

For many years prior to 1930, both the Nova Scotia mines and the import trade suffered alike from loss of markets in bad times. During the nineteen thirties, however, the two trades fared differently.

BY COMMISSIONER McLAURIN - You are now speaking of the coal import trade?

A. Yes.

Q. It is a head-on fight between the Importers of Toronto and Nova Scotia.

MR. STUART continues brief

The import trade remained depressed, apart from a short-lived rally in 1937, until the outbreak of war. Nova Scotia's output, on the other hand, rose from a low point of 4.1 million tons in 1932 to 6.3 million tons two years later, mainly due to larger sales in the province of Quebec. These larger sales were made possible principally by increased subventions. (See the reports on the Dominion Fuel Board's activities in 1932-33 and later years, in the Annual Reports of the Deputy Minister of Mines). The above observations are based on the information set forth in Table I.

T A B L E I

Output of coal from Nova Scotia mines. #	Imports of Bituminous coal into Canada. ##
(in millions of short tons)	

		<u>Index</u>		<u>Index</u>
1925	3.8	61	12.5	93
26	6.7	107	12.4	92
27	7.1	112	14.6	109
28	6.7	107	13.4	99
29	7.1	112	14.2	106
1930	6.3	101	14.5	108
31	5.0	79	9.9	74
32	4.1	65	8.8	66
33	4.6	72	8.2	61
34	6.3	101	9.5	71
35	5.8	93	8.6	64
36	6.6	106	9.7	72
37	7.3	115	11.2	83
38	6.2	99	9.5	71
39	7.0	112	10.7	80
1940	7.8	125	13.5	100
41	7.4	117	16.5	123
42	7.2	115	20.0	149
43	6.1	97	24.4	182
44	5.7	90	24.5	183

1925-1929 = 100

1925-1929 = 100

Coal statistics for Canada for the calendar year 1942.
(Ottawa, Dominion Bureau of Statistics, 1944) p. 39.

ibid: p. 18. Includes a small amount of imports from countries other than the United States.

Figures for 1943-44 are from monthly bulletins of Coal & Coke statistics.

It appears then, that the effect of the Dominion Government's policy has been to provide a comparatively stable market for Maritime coal at the expense of imported coal, thus throwing the burden of depression on Canadian importers and on lake steamship companies carrying coal to Canadian ports. We are willing to bear our share of the risks of depression (and in view of our large inventories, the risks are heavy) but we submit that a policy which places the risk almost solely upon those engaged in international trade is manifestly unfair and no contribution to friendly international trading relations.

In this connection it should be remembered that in the recent war the distribution of exceedingly scarce supplies of American coal has been conducted without regard for the international boundary, both private enterprise and government in the United States preferring to regard Canada as entitled to as good treatment as American territory. Because of the co-operation of the United States, we were able during the war not only to maintain, but greatly to increase our imports, thereby supporting the industrial side of our war effort and easing our manpower problem in no small degree. We believe that the willingness of the United States to co-operate was in part a result of the close trading relations of earlier years in the coal business, relations which have become more intimate as a result of the continuing interest of several large mining companies in the Canadian market through agencies or subsidiaries in this country.

Despite increasing reliance on hydro-electricity and oil, the statistics show that coal remains much the largest single source of mechanical energy and heat in Canada. (Coal Statistics for Canada, 1942, table 26). Coal's contribution to the productivity and welfare of Central Canada is hard to over-estimate, and all the considerations which have led the Dominion government to consider coal supply important also demand that it be regular in flow, high in quality and reasonable in price. The interest of Canadian governments in hydro-electricity, and of the newspapers

and certain industries in the spectacular rise of oil production and now in the prospect of atomic power, has cast over these new sources of energy an aura, which, though interesting from a prophetic standpoint, creates a misleading impression of their actual contribution to the national economy.

BY THE CHAIRMAN - If Ontario gets its due proportion of atomic power, they won't be interested very much in the coal business.

BY MR. FRAWLEY - What would you call Ontario's due proportion?

BY MR. STUART - It depends on what direction it comes from.

MR. STUART continues brief

While it is not our function to plead the cause of the coal consumer, we take the liberty of emphasizing the importance of the briefs of the Industrial Consumers of coal in Hamilton, and of the Government of the Province of Ontario, both of which have stressed the consumer's interest. With the greatest respect we would observe that the consumer's interest, as such, has not yet been fully represented before your Commission.

-- VI -- Foreign Exchange

Canada's ability to purchase bituminous coal in the United States is, of course, influenced by her foreign exchange position. Both the price of coal at the mine and the cost of transporting it to American lake ports, or to the Canadian border by rail, must be paid in American funds. During the years 1900 to 1913 the annual drain upon our supply of foreign exchange for this purpose, in relation to the total supply of exchange becoming available from all current sources, was as shown in Column(I) of Table II.

T A B L E I I

Proportions of available foreign exchange
(all currencies) used for import of bituminous
coal (for details see Appendix B, table I)

	(1) % of Current Account	(2) % of Current & Capital a/c
1900	5.1%	4.5%
1901	5.3	4.9
1902	6.7	6.7
1903	7.4	5.9
1904	7.3	5.2
1905	6.7	5.1
1906	-	-
1907	9.5	5.9
1908	9.3	6.4
1909	7.9	5.3
1910	8.1	4.6
1911	11.8	5.8
1912	9.1	4.5
1913	9.9	5.5

Note: Col. (1) is taken from Appendix B Table I Col. 5
Col. (2) is taken from Appendix B Table I Col. 8

From Column (1) it may be seen that the cost of bituminous coal imports increased more rapidly than the flow of foreign exchange from current sources, rising from 5.1% in 1900 to over 11% of the total exchange available in 1911.

It should be remembered, however, that in the latter part of the period the supply of foreign exchange from current sources (i.e. sales of goods and services abroad) was augmented by the proceeds from foreign loans to, and direct foreign investment in, Canada. In the years 1911 and 1912 the foreign exchange arising from capital transactions of this type actually exceeded the proceeds from current sources. As large amounts of coal were used in connection with investment of the funds from abroad, it is permissible to regard a part of Canada's large coal purchases in this period as chargeable to capital account, that is, against foreign exchange arising from capital imports. The ratio of the outlay for coal imports to the aggregate amount of foreign exchange made available from current and capital transactions is shown in column (2) of Table II, where it may be seen that notwithstanding a fivefold increase in the outlay for coal imports the proportional

drain on the foreign exchange position did not increase.

In the period from 1926 to 1942, for which figures are also available, the drain from coal imports on the supply of foreign exchange from current sources has been much less than it was before 1913. (See Table III, Column (1). Although the situation has been complicated by alternating years of capital import and export, and by the relatively large payments of interest and dividends to foreign investors, our interpretation of the figures is that bituminous coal imports have under peaceful conditions given rise to a drain on the supply of foreign exchange which, despite the many millions involved, is not a problem of much consequence.

In the event that other currencies, and especially sterling, do not soon regain convertibility into United States dollars, the drain on our U.S. dollars from coal imports would, of course, become heavier. Some idea of this situation may be gained from column (2) of Table III which shows the outlay for bituminous coal as a percentage of Canada's total credits in current transactions with the United States. From this column it appears that even though sterling has been inconvertible in the years 1926-43 the proportional drain on the proceeds of our direct sales to the United States would have been less than before the first world war.

T A B L E I I I

	(1) Proportion of total foreign exchange realized from current transactions, all countries	(2) Proportion of foreign exchange realized from current transactions with the United States only.
1926	3.00%	6.05%
1927	3.30%	6.31%
1928	2.65%	5.12%
1929	3.13%	5.41%
1930	3.71%	6.31%
1931	3.56%	5.79%
1932	3.69%	6.60%
1933	3.68%	8.58%
1934	3.94%	8.09%
1935	2.76%	5.21%
1936	2.51%	5.12%
1937	2.89%	5.74%
1938	2.89%	5.93%
1939	2.83%	5.29%
1940	3.25%	6.93%
1941	3.14%	7.40%
1942	2.85%	6.58%

Note: Col. (1) is taken from Appendix B - Table II - Col. 5.
Col. (2) is taken from Appendix B - Table II - Col. 7.

BY COMMISSIONER McLAURIN - Where do these Tables come from, are they your own creation?

A. These Tables are taken from Appendix B. If you turn to Appendix B later in the report you will find tables of figures and a statement of the source. They are drawn from official sources.

Q. It indicates where you get them?

A. Yes.

BY THE CHAIRMAN - Why do you leave out the years from 1919 to 1926?

A. As far as I know there are no figures available for that period. I know that a noted economist has worked on that, but I could not in the time at my disposal get the figures on it.

Q. It would change this materially, would it not?

A. I don't know. I have not seen any figures for that period.

BY COMMISSIONER McLAURIN - It must have been bad in 1920, 14% to 15% discount?

A. It would be, as it also was in 1930 for a short period..

Q. I think the gravest period was in 1921 or 1922, when I think it was 19%.

A. I think it should be mentioned that at such times our imports of coal in terms of tons are relatively low. That gives us some

compensation.

3. One way to overcome would be to take that 19% and give it as subvention to Canadian mines, and you would still be even with the board and just using Canadian dollars.

MR. STUART continues brief

We realize the incompleteness of the foregoing treatment in view of the complexity of the foreign exchange problem, especially as that problem may present itself in the near future. At the same time we would stress the importance of considering it in the light of recently available statistics of the balance of international payments presented herewith.

While some shortage of United States dollars may possibly be felt in the readjustment after the war, we believe that there are other directions in which foreign exchange may be conserved with less injury to the country. It is not generally realized that coal imports are used in the making of Canadian products which are exported to the United States. These include large sales of paper, base metals, gold and shipping and railway services, each of which substantially enhances our United States dollar position. Thus coal imports tend automatically to provide a part of the foreign exchange for their purchase.

BY COMMISSIONER McLAURIN - I don't follow that. Because coal is needed in these industries?

A. That is right.

Q. I don't know. If we are not going to have a triangular trade, we have to induce these Americans some way to balance their trade with us, or else we have to buy less from them.

MR. STUART continues brief

In conclusion we maintain that there is not a nationwide coal problem in Canada, but rather a series of regional problems, each of which must be solved in its own way. We feel that the record of the last twenty years shows that Canada's so-called "acute fuel area" is in most ways better served than would

be possible if it were wholly or mainly dependent on other parts of this country. We join with the Government of the Province of Ontario in expressing our appreciation of the efforts of the coal producers of the United States which have been made in the face of almost insuperable difficulties, from the standpoint of labor conditions, shortage of equipment, etc., to meet the demands, not only of their own country, but of Canada, for coal so necessary to our war industries.

Under the stress of war, as was to be expected, qualities of coal could not be maintained. With the return of normal conditions, we are confident that qualities will be restored and improved to the definite advantage of the Canadian consumer.

Signed and presented on behalf of the Canadian Importers and Distributors named on page one.

(Sgd) Hamilton J. Stuart

Toronto, Ontario,
October 4th, 1945.

Counsel.

APPENDIX "A"

A DESCRIPTION OF THE IMPORTING AND WHOLESALING OF UNITED STATES BITUMINOUS COAL IN CANADA

- - - - -

In the past thirty years, there have been quite extensive changes in the methods of burning bituminous coal.

These changes, involving as they do, the use of a wide variety of stokers, and powdered fuel units, have brought with them special problems of preparation and selling methods. Whereas in the earlier days "Lump", "Mine Run", and "Slack" were the only sizes of coal to be considered in a sale, the use of this special equipment calls for skilful selection of the right fuel by trained specialists who use the most modern and scientific methods of studying the individual boiler plant and make their selection from a widely scattered group of mines or mining areas. They must combine knowledge of burning requirements with knowledge of burning character of coals from different mines, different

seams and different areas, ranging in volatile content from 15-40%, in ash fusion from 1900°F to 2800°F and ash content from 3-15%. Structure and sizing of coal must be considered as well as the character of the coal, whether light, medium or dense coking in type.

With the introduction of these technical problems and the application of coal to the job in an attempt to give the consumer the maximum benefit from his investment in coal burning equipment, much closer co-operation has developed between coal producers and equipment manufacturers in the designing of equipment and the preparation of the coal.

It has followed naturally for the producing companies to initiate the use of combustion engineers and technical experts referred to, as the means of securing best results for the consumer. These men are able to pass on to regular plant operators valuable advice and help based on experience in dealing with a wide variety of applications. Recommendations are frequently made to the mines relative to the sizing and preparation of coal which is helpful in meeting special conditions.

In Canada, many of the largest United States producers of Bituminous coal have established wholly or partially owned subsidiaries to represent them in their dealings with wholesale distributors or with the purchasing departments of large industrial concerns, many of which insist on direct contact with their sources of supply. Competition between these companies is very keen in all types of distribution.

The establishment of docks and large storage inventories at strategic points on the St. Lawrence River and Great Lakes system has had almost the effect of moving the mines to consuming areas, with the additional advantage of having the coal above ground. Use has been made of publicly owned storage docks where available, but in some cases coal companies have had to build their own.

Direct rail transportation from mine to consumer is

still used where rail sidings and freight rates justify this movement. However, delivery by truck lot directly to bins from storage docks without the further cost of car unloading, as with the rail movement, has made this type of delivery very attractive. The assurance of supply when coal is actually stored in Canada and free from interference from mine strikes or railway car supply failure has been an additional factor in favor of this movement. Special equipment is required by this method of coal transportation such as large Crawler cranes with buckets, for transferring coal on the dock in some cases, quick-loading coal hoppers, screening equipment and in the case of domestic stoker coals, special dust-treating equipment.

Large quantities of coal have always moved to the head of the Lakes and lower St. Lawrence destinations in bulk freighter vessels. On arrival, they are unloaded by expensive coal bridges which were built for the purpose by wholesale companies or consumers on their own property. In some cases, the railroads have built and established coal storage docks for the handling of their own coal transported by vessel when haulage on their own lines would be an expensive proposition. In such cases, they frequently handle commercial coal as well as their own coal over their docks as in the case of Britt and Prescott, Ontario, properties of the Canadian Pacific Railway, and the docks of the Algoma Central and Algoma Eastern Railroads at Michipicoten, Sault Ste. Marie and Little Current.

With the development of the self-unloader vessel, first of canal size and later, at the time of the Welland Canal opening, full size, 6-10,000 ton capacity, capable of unloading at rates varying from 400-1500 tons per hour, there has been made possible the use of property for coal storage without the necessity of building expensive bridges. Supplementary conveyor belts and stackers make the use of great depth of property from the unloading point easily possible.

Special small self-unloader vessels are used for delivery in shallow-draught areas such as the Bay of Quinte, Napanee River,

Gananoque and various destinations on Georgian Bay and Lake Erie. By means of these self-unloaders, long haul railway transportation has been reduced to a minimum and less expensive vessel transportation has made possible the delivery of coal to consumers at very low cost.

Actual distribution of coal from mine to consumer is accomplished:-

- (a) By direct rail from the mine to consumer's siding where he unloads it, or to some other siding nearby where it is unloaded under the auspices of a retail or wholesale coal company which has the equipment or may hire the service performed. In such case, it is the usual practice for the wholesaler to purchase the coal at the mine and arrange for shipment in his own name, giving the consumer a landed cost in his bins.
- (b) By vessel movement to consumer's own dock or to a wholesale or commercial dock. In the case of coal transported by vessel, it is well to have some knowledge of the details of the movement. Generally speaking, coal for central Canada originates in one of the following districts of the United States:-
 - 1. Central Pennsylvania
 - 2. Western Pennsylvania
 - 3. Northern West Virginia
 - 4. Ohio
 - 5. West Virginia Pan Handle
 - 6. Virginia and part of West Virginia
 - 7. Southern high volatile.

Coal from Districts 1-2 and 3 can move to Lake Ontario ports of Sodus, Oswego and Charlotte, with some exceptions from which ports it could load for St. Lawrence River Ports and Lake Ontario destinations.

Docks have been established at every point along the North Ontario shore which can be reached by vessels having capacity as low as 600 tons. Probably the most interesting of these ports is Napanee, Ontario, which is reached by a seven mile trip up the Napanee River from Deseronto. As high as 20,000 tons of coal have been moved into this port by vessel in one year.

Coal is loaded on Lake Erie from all of the Districts indicated. Large tonnages move through loading ports

of Buffalo, N.Y., Erie, Pennsylvania, Ashtabula, Cleveland, Fairport, Lorain, Sandusky and Toledo, Ohio. This coal originates on such railroads as:-

District 1 - B&O, PRR, NYC, P&S, PS&N, Erie, C&I, LEE&C, Western Maryland

District 2 - B&O, B&LE, PRR, P&LE, Montour, Pittsburg & West Va.

District 3 - B&O, Monongahela, Western Maryland

District 4 - B&O, PRR, NYC, W&LE, C&O

District 6 - B&O, PRR

District 7 - C&O, Interstate, N&W, Virginian

District 8 - C&O, CC&O, KC&NW Railway, K&M Railway (NYC), I&N, N&W

By various routes these shipments arrive at Lake Dumping Ports where they come under the supervision of the Ore & Coal Exchange. The duty of this organization is to secure quick unloading of cars and efficient movement along the route so that cars may be returned promptly to originating railroads.

Five days of free time are allowed on all cars at Lake Ports with a charge of \$1.00 per day per car thereafter until dumped. As an indication of the efficiency of the organization, which involves shippers, receivers and vessel companies taking the coal away from the loading ports, the average days' time used during 1944 was 3.61 days per car on Lake Ontario and 3.33 days per car on Lake Erie.

Docks must be ready to receive the coal on arrival of vessels. This requires careful planning of the shipments that will be made in each and every month. Some coals break down in storage more than others. Those must be shipped at late in the navigation season as possible. Some coals store better than others and a vast amount of knowledge has been developed on proper methods of storage, including the impacting on arrival of the finer sizes. Sometimes it is necessary to transship coal over a dock and have the space

available quickly for following shipments. In such cases trucking arrangements must be co-ordinated with coal arrival.

With coal moving in such large volume during the summer season, the mines must plan production to take care of these requirements. Often the sizes required in one area in Canada may cause an unbalanced position in the mines in relation to other sizes. Outlets must be found that will permit the entire programme to be carried out. Sometimes stoker sizes for Canada will be made possible by movement of top sizes in the U.S. and slack sizes in some other area of Canada or vice versa.

Close control of vessels involved in coal transportation must be maintained. This is a function of Coal Traffic Departments. Co-operation of the keenest kind is required to avoid or keep down demurrage costs on cars at Ports waiting for vessels to take the cargo. During periods of uncertain production, such costs can reach serious proportions.

Frequently it is necessary to ship from widely scattered areas to the same ports for loading into the same vessel for delivery at the same Canadian destination. Very infrequently deliveries are necessary from the same vessel to two Canadian destinations.

Weight of the coal loaded into a vessel is tabulated from the railroad weights of cars loaded. Copies of the "Consist" or "Manifest" are given the receiver and the shipper. Such coal is invoiced on the vessel weights.

Vessels are divided into compartments. Separate weights can be obtained for each. As many as five different kinds or sizes of coal may be carried in a vessel at the same time, depending on its size and compartment arrangement. Most self-unloader vessels have hopper type holds under which operate conveyor belts. These carry the coal to the front

of the vessel where it is raised on a bucket conveying system, dumped into a chute which feeds another conveyor belt operating on the unloading arm or "Boom". This Boom extends over the side of the vessel above the dock. It can be raised or lowered or swung horizontally as required into the exact position desired for unloading, by controlling cables operated by winches on the vessel. The coal flows over the belt and falls onto the dock. Some breakage occurs initially but as the pile grows, it is possible to control this breakage to a considerable extent by careful operation of the unloading boom. As mentioned, the rate of discharge may be as high as 1500 tons per hour from large self-unloaders.

On arrival at the storage dock of a wholesaler, it may be added to piles of coal of the same grade and size representing the amassed orders of a number of consumers. It can be removed as required, weighed over dock scales and invoiced on truck weights.

You will see that since approximately 75% of Canada's coal requirements are carried by vessels during the navigation season from April 1st to November 30th in each year, quite complete and efficient firms are necessary in order to

- (a) have the right amount of coal
- (b) of the right grade
- (c) in the right place
- (d) at the right time

Such an organization is represented by the group of importers and wholesalers presenting this Brief.

In addition to the factors mentioned, there are further responsibilities such as the problems of exchange - financing of large quantities of coal - credit risk involved in sales - degradation of coal in storage - methods of handling - screening - disposition of resultant coals on an economical basis - storage, with its problems of spontaneous combustion and wastage.

Smoke ordinances of various communities make necessary the securing of coal for consumers which will operate in harmony with such regulations.

The ability to use large capacity vessels with their reduced transportation cost and ability to avoid demurrage charges on cars awaiting dumping into vessels is only possible through the amassing of orders and pooling of tonnage.

The funds to pay for large quantities must be made available and credit responsibility maintained.

The advantages of large scale operations are passed on to the smaller retailers through these organizations, making it possible for them to buy truckloads of various coals for delivery to consumers requiring different types, without the necessity of the retailer having to ship separate cars of each to his own yard and tie up his limited storage facilities for long periods by so doing.

Consumption of coal in private homes, whether used in domestic stokers or not, make necessary special equipment for the sizing and dust-treating of coals. This can be taken care of in the most economical manner by doing it on a large scale, which such wholesale dock operations permit.

Arranging for coal with sources of supply must be predicated upon the needs of the area served. Experience of many years makes it possible for this group to estimate with fair accuracy these requirements and to give an indication to shippers of the quantities which can be accepted during each month of the navigation season.

Production schedules of the producing companies are set up early in the year and it is necessary that proper arrangements be made to have the required tonnages included in their production programmes.

It is quite evident that to ensure shipment, orders must go to the U. S. suppliers very early in the year but it may be a surprise to know that contracts are sometimes completed for shipments with the mines by the end of February. A close check on industrial activity must be maintained and ability to make rapid adjustments in case of necessity is of prime importance.

Close co-operation with shippers throughout the year is necessary to maintain the flow of coal evenly and surely throughout the season.

We have a map which shows the locations of storage docks on which inventories of coal are maintained by this group and other destinations to which coal is shipped by the group for consumer storage.

APPENDIX B - TABLE I

	(1) VALUE OF IMPORTS OF BITUMINOUS COAL F.O.B. MINE	(2) ASSUMED COST OF INWARD FREIGHT PAYABLE IN U.S. FUNDS (same as i)	(3) COL.(1) PLUS COL.(2)	(4) TOTAL CREDITS IN CURRENT TRANSACTIONS WITH ALL FOREIGN COUNTRIES
(In millions of Canadian dollars)				
1900	\$5.2 (Fiscal Year 1900-1901)	\$5.2	\$10.4	\$203
01	6.0	6.0	12.0	225
02	8.2	8.2	16.4	246
03	9.6	9.6	19.2	258
04	8.3	8.3	16.6	226
05	8.8 (Fiscal Year 1905-06)	8.8	17.6	262
06	-	-	-	-
07	14.3 (cal. year)	14.3	28.6	301
08	13.9 "	13.9	27.8	300
09	12.9 "	12.9	25.8	325
1910	13.7 "	13.7	27.4	340
11	20.5 "	20.5	41.0	346
12	19.4 "	19.4	38.8	425
13	25.9 "	25.9	51.8	524

(Continued on next page)

APPENDIX B - TABLE I (continued)

	(5)	(6)	(7)	(8)
	COL. (3)	NET	TOTAL	COL. (3)
	AS % OF	CANADIAN	FOREIGN	AS % OF
	COL. (4)	BORROWING	EXCHANGE	COL. (7)
		ABROAD	UTILIZED	
		(4) \pm (6)		
		(in millions of Canadian dollars)		
1900	5.1%	\$36.5	239	4.5%
01	5.3	21.3	246	4.9
02	6.7	27.4	273	6.0
03	7.4	69.2	327	5.9
04	7.3	91.0	317	5.2
05	6.7	83.0	345	5.1
06	-	-	-	-
07	9.5	182.8	484	5.9
08	9.3	131.7	432	6.4
09	7.9	159.8	485	5.3
1910	8.1	250.6	590	4.6
11	11.8	354.7	701	5.8
12	9.1	435.2	860	4.5
13	9.9	414.3	938	5.5

SOURCES:

COL. (1) - Coal Statistics for Canada for the calendar year 1925 (Ottawa, King's Printer 1926) Table XIV, p. 19.

COL. (2) - Assumed arbitrarily, on the basis of experience in years 1926-31, to be equal to cost of coal at the mine.

COL. (4) - J. Viner - Canada's Balance of International Indebtedness (Harvard University Press, 1924) p. 105

COL. (6) - IBID. - P. 106.

NOTE: Figures in Col. (1), prior to 1907, are for years ending March 31st of the following calendar year.

APPENDIX B - TABLE II

YEAR	(1) VALUE OF IMPORTS OF BITUMINOUS COAL F.O.B. MINES	(2) INWARD FREIGHT PAID IN U.S. FUNDS ON BITUMINOUS COAL	(3) TOTAL COST OF U.S. FUNDS FOR BITUMIN- OUS COAL (1) plus (2)	(4) TOTAL CREDITS IN CURRENT TRANSACTIONS WITH ALL FOREIGN COUNTRIES
(IN MILLIONS OF CANADIAN DOLLARS)				
1926	25.5	26.8	52.3	1743
1927	30.4	26.6	57.0	1727
1928	26.6	25.2	51.8	1957
1929	27.1	28.3	55.4	1767
1930	26.5	24.6	51.1	1375
1931	15.7	22.7	38.4	1080
1932	12.0	20.9	32.9	891
1933	10.5	20.6	31.1	844
1934	16.6	24.2	40.8	1036
1935	15.9	17.7	33.6	1217
1936	17.0	20.9	37.9	1509
1937	20.8	25.3	46.1	1593
1938	17.7	21.6	39.9	1361
1939	19.6	21.7	41.3	1457
1940	26.5	31.3	57.8	1776
1941	37.6	39.7	77.3	2458
1942	50.3	45.8	96.1	3376

YEAR	(5) COLUMN (3) AS % OF COLUMN (4)	(6) TOTAL CREDITS IN CURRENT TRANSACTIONS WITH U.S.A.	(7) COLUMN (3) AS % OF COLUMN (6)
------	--------------------------------------------	----------------------------------------------------------------------	--------------------------------------------

(IN MILLIONS OF CANADIAN DOLLARS)

1926	3.00%	864.2	6.05%
1927	3.30	903.4	6.31
1928	2.65	1011.4	5.12
1929	3.13	1023.9	5.41
1930	3.71	810.0	6.31
1931	3.56	662.6	5.79
1932	3.69	498.4	6.60
1933	3.68	362.3	8.58
1934	3.94	504.9	8.09
1935	2.76	644.6	5.21
1936	2.51	740.1	5.12
1937	2.89	803.	5.74
1938	2.89	663.	5.93
1939	2.83	780.	5.29
1940	3.25	834.	6.93
1941	3.14	1045	7.40
1942	2.85	1461	6.58

(continued on next page)

APPENDIX B - TABLE II (continued)

SOURCES:

- COL. (1) - Coal Statistics for Canada, for the calendar year 1942. (Ottawa, King's Printer. 1944) Table 15, p. 18. Includes all coal reaching Canada, whether or not cleared from customs. Includes a very small amount of imports from countries other than the United States.
- COL. (2) - The Canadian Balance of International Payments - A Study of Methods and Results. (Ottawa, King's Printer. 1939) Table XV, p. 80. Later figures from correspondence with the Dominion Bureau of Statistics.
- COLS. (4), (6) - For years 1926 - 36, same source as column (2), at pages 216-39. For years 1937-43, The Canadian Balance of International Payments, 1937-43. (Ottawa, Dominion Bureau of Statistics. 1944) Table I, p. 18, and table VI, p. 23.

APPENDIX "C"

List of the cities and towns at which are located sales offices or stock piles of the Canadian importers and distributors listed on Page 1.

SALES OFFICES

Montreal
 Brockville
 Toronto
 Hamilton
 Port Colborne
 London
 Windsor
 Walkerville
 North Bay
 Winnipeg

STORAGE INVENTORIESSt. Lawrence Ports

Montreal
 Prescott
 Brockville

Lake Ontario Ports

Napanee
 Deseronto
 Trenton
 Cobourg
 Port Hope
 Oshawa
 Toronto
 Hamilton
 Port Weller
 Thorold

Lake Erie Ports

Port Colborne
 Port Maitland
 Port Burwell
 Port Stanley
 Erieau

Detroit River Ports

Windsor
 Sarnia

Georgian Bay Ports

Midland
 Britt
 Little Current

Lake Superior Ports

Fort William

BY THE CHAIRMAN - They did what their Coal Controller ordered them to do, the coal producers of the United States, as to how and where to place their coal?

A. I think it was all their combined efforts though.

Q. I don't know. The operators in this country obey their superiors, the Coal Control. I mean to say we are always giving the credit of getting this vast supply of coal from the United States, to the coal operators.

BY COMMISSIONER McLAURIN - The Crow's Nest Pass abandoned their market and sent a half million tons to the State of Washington. They would have preferred to be selling to the Canadian Pacific Railway.

BY THE CHAIRMAN - One thing that surprised me about this coal business in Ontario is that every public man of note that I have met in the last few years was always in favor of assistance to Canadian coal to get it to the Ontario market.

BY COMMISSIONER McLAURIN - I am just wondering where this takes us. As I understand this brief it recommends the removal of the duty, you want to do away with the 75¢ duty, and I also gather from what I have read here that all subventions are improper except where they involve a short rail haul. We might as well meet these things head-on.

A. That is right.

Q. Then I throw out the suggestion that if you have a fiscal policy that takes away the duty, I know they have a subvention too, and I can see that you might say the Western producers should not have both. How do you protect the Western bituminous producers? Just throw him to the wolves. You have a protected area in Central Canada, and I am not saying you should not have it. As far as I know the only protection that Western Canada from Fort William to the Rocky Mountains, enjoys, is probably the duty on coal. Shall you take it away and give them nothing back?

A. I think that is a matter of high policy.

Q. We have to struggle with these, and Mr. Howe wants us to

know what to do. He does not want us to recommend something very acceptable to the Toronto Importers and have the Western producers on his ear.

A. We were trying to express our views to assist the Commission with what we know of the industrial coal situation. We are unable to express the position of the Western producers, but we want to give you our position so that when you hear briefs from other sides you can formulate your opinions.

Q. We put this same thing to the Western Canada producers. We said you are getting a 75¢ tariff on the laid-down cost of American coal, probably a 40% tariff, and you get a subvention. They said we think we are entitled to that because of Canada's fiscal policy, and we said what if there is a change. "Take off the tariffs down east, and we will take our chances". That is the position that the fellow that wrote their brief took. He didn't take the position "This is just what I want" and we are asking you to view it just as a Canadian policy.

A. I don't think our brief deals with just what crosses the docks to the City.

Q. I mean you are giving a particular view from one part of the industry. We have a country of tariffs. Here is a 75¢ duty, and if you take it off you take it off for all purposes and one part of the industry loses a market, and you say, let them lose it. As far as your submissions have gone, that is where you leave the problem as far as we are concerned. I am not saying it is not a good thing to bring us down to the hard reality of competing in a world market for something. But why single out the Western Canadian bituminous producers as the ones who are going to suffer, because that is what you are doing. And including Nova Scotia.

A. I don't think our brief is aimed at that.

4:05 P.M. HEARING ADJOURNED UNTIL THURSDAY,
OCTOBER 11th, 1945, at 10:00 O'CLOCK A.M.

A.R.
C. XVII

Vol. 100
Page 100
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200-1
P. 100-10

22

ROYAL COMMISSION ON COAL

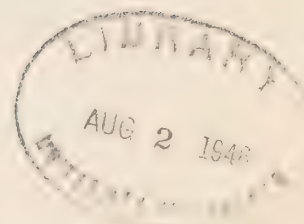
Ottawa, Ont., Thursday, October 11th, 1945.

VOLUME LII

WITNESSES:

Prof. D. C. MacGregor.....	Pages 4766 - 4794
Donald G. Munroe.....	4795 - 4808
Dr. H. E. Becker.....	4809 - 4835

- - - - -



Ottawa, Ont., October 11th, 1945.

EXHIBITS:

No. 232 - Brief submitted by Montreak Coke & Manufacturing Company.....	Page 4794
No. 233 - Brief of Standard Coal Mining & Converters Corporation.....	4809
No. 234 - Letter from St. John Board of Trade to the Commission, dated April 12th, 1945.....	4835
No. 235 - Canadian Coals - Their Classification, Analyses and General Characteristics, by Dept. of Mines & Resources, Ottawa. May 1945 Edition.....	4836
No. 236 - Letter to Mr. Frawley from W. J. Callaghan, Commissioner of Tariff, dated Sept. 14th, 1945.....	4836
No. 237 - Submission to the Commission on Coal Labour Survey of Datal Workers in the coal mines of Nova Scotia, conducted by National Selective Service.....	4836
No. 238 - Letter to Secretary of the Commission from Deputy Minister of Mines for Nova Scotia, dated June 25, 1945, and accompanying statement.....	4837
No. 239 - Letter from Joggins Coal. Co.Ltd. to the Secretary of the Commission, dated June 4, 1945, with statement of shipments to C.N.R. since the mine has been in operation.....	4837
No. 240 - Letter from Empire-Hanna Coal Co. Ltd. to the Secretary of the Commission, dated April 26, 1945..	4837
No. 241 - Pamphlet from R. H. Watson of Edmonton, dated April 25, 1945...	4837
No. 242 - Letter dated Aug. 17, 1945, to Commission from Highway Transport Association Inc. of Montreal.....	4838
No. 243 - Report on Plan for the Beneficiation of the New Brunswick Coal Industry, dated December 1944. Report of Investigations Carbonization Section - No. 195, by Swartzman.....	4838

EXHIBITS (continued)

- No. 244 - Report on Underground
Gasification for the Joggins-
River Hebert Coal District,
dated July 14, 1945, by
Swartzman.....Page 4838
- No. 245 - Agreement between the United
Mine Workers of America, Dist.
No. 26, and the Minto Coal Co.,
effective up to January 31, 1945,
with accompanying letter dated
August 7, 1944, to the District
Board Member..... 4838
- No. 246 - Agreement between Western Dominion
Coal Mines Ltd. and Saskatchewan
Coal Miners' Union (Taylorton
Division), dated Aug. 13, 1945..... 4838

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ROYAL COMMISSION ON COAL

Ottawa, Ontario,
October 11th, 1945.

The Royal Commission on Coal convened in the Courtroom of the Board of Transport Commissioners in Ottawa, Ont., on Thursday, October 11th, 1945, at 10.00 A.M.

PRESENT:

Hon. Mr. Justice W. F. Carroll, Chairman
Hon. Mr. Justice C. C. McLaurin, Commissioner
J. J. Frawley, K.C., Commission Counsel
Robert D. Howland, Secretary.

EXAMINATION of Prof. D. C. MacGregor continued by Mr. Frawley.

- Q Professor MacGregor, I proposed to invite your comment yesterday on an aspect of this thing. In considering the question of the importation of American coal have you given any thought to the effect of reduced Nova Scotia tonnage on the economy of the province of Nova Scotia?
- A Reduced to what extent?
- Q Well, when you go back to 1939, and if you first take a contemplated reduction from that tonnage, and secondly an absence of any increase of that tonnage?
- A It is recognized, sir, that the coal mining industry of Nova Scotia occupies a pivotal position within the economy of the province, and more particularly in Cape Breton Island. Estimates have been made as to the proportion of the population of Nova Scotia which depends on the coal, iron and steel industry. I have seen statements that 100,000 people out of some 500,000 are in one way or another dependent on it. We recognize that the industry is a substantial part of the life of Nova Scotia, and our attitude towards subventions I think

is a manifestation of our knowledge of that fact. I have heard it suggested that without any assistance whatever the Nova Scotia market would be reduced to 3,000,000 tons. I don't know the basis on which that statement is made but I believe that that is the view which is held by people.

Q If there were no government assistance at all we know where the economic line is, and I think that is right, it would be reduced to 3,000,000 tons.

A That would involve operation at perhaps 50% of capacity, perhaps a little more.

Q It would be getting close to 50% of 1939. Well, 1939 was five and a half million, and even making the other four million, say, without any government assistance at all.

Now what are your views with regard to shutting back Nova Scotia production to its economic limits?

A We feel, sir, that the economic limits of Nova Scotia production are not necessarily fixed as definitely as you suggest. We feel that the evidence submitted by the Dominion Steel and Coal Company itself indicates that there is a considerable undeveloped market; not one which could be developed overnight--we recognize that--but which over a matter of 10 or 15 years might be developed to a considerable extent. May I draw the Commission's attention to an observation that was made in 1934, which has some bearing on this matter of the economic limits of Nova Scotia production. It is contained in a supplementary report of Dr. H. A. Innis, which was appended to the report of the Provincial Economic Inquiry of 1934.

Q The Sirois?

A No, this was a Provincial Commission, appointed I think with an eye perhaps to a forthcoming Dominion-Provincial Commission. I quote from page 195 of the report of the Royal Commission, Provincial Economic Inquiry. I may say that Dr. Innis was

one of three commissioners, the others being Mr. Johnston and Professor Jones. I just want to place this thing in its context. I quote: "Attention has been drawn to the inequality of rates on coal in the provincial market and to the high price of coal at various points throughout the province. A brief survey conveys the distinct impression that existing rates are definitely higher in terms of cost per ton mile from Springhill, for example, than between similar points in Ontario, based on American ports of export." Now if that statement is still true it suggests that the economic limit for the shipment of Nova Scotia coal within the province of Nova Scotia is still somewhat flexible, if we assume that there is any flexibility in railway rates; and further, the observations made by Mr. MacLanders with respect to the use of coal in a number of large industrial plants, and in Quebec and New Brunswick for the heating of private households. I suggest then that, while there may be a definite economic limit with respect to certain branches of the trade where competitive freight rates are well known, that definite economic limit does not apply to other branches of the trade such as those to which I have been referring.

- Q Well, assuming that then, does not the prosperity of the Nova Scotia coal industry depend upon obtaining a share of the Central Canadian market, and if so, how can that be accomplished without government assistance?

BY THE CHAIRMAN: What do you mean by the Central Canadian market?

BY MR. FRAWLEY: Beyond Montreal, west of Montreal, assuming they could take it to Montreal without any government aid, and they can in the summer time.

- A The prosperity of an industry, sir, is partly governed by its costs, as well as by its market, and we take the view that the Nova Scotia industry, on its own admission and on the admission of a Nova Scotia Royal Commission, has not done everything that it might do to mend its own position.

- Q Well, would it be fair to turn that around a little bit and say you hold the view that until those costs of production in Nova Scotia come down the operators are probably not entitled to any larger measure, or maybe not as large a measure, as the existing measure of government assistance?
- A I would draw your attention, sir, to a passage on page 13 in which we allude to that matter. We say, "If there is no alternative and subventions are considered expedient for short hauls, then it is desirable that assistance be so given as to provide assurance that the financial benefits from subventions will be constructively applied."
- Q Now that is just a little abstruse to me. Would you mind just expanding on that a little bit?
- A We have prepared a statement which expands on that, and if you would permit me I might read it. It is a brief statement, a little more than a page. We felt we wanted to keep this brief within a short space, but if it was necessary to expand it we prepared this supplement. (Proceeds to read supplement):

"When we suggest that the financial benefits of subventions should be constructively applied we have in mind, first, the application of not less than a given proportion of the mining companies' net earnings (after taxes, depreciation and other appropriate adjustments) in several directions.

"(1) Improvement of the buildings, machinery and layout of the mines and associated transport facilities, and of amenities for employees such as dressing rooms and showers. The sums spent in the eleven years 1932-42 are small in view of the size of the industry. (cf. Dawson Report, VI, p. 42).

"(2) Assistance on the part of the companies to hasten alteration of coal burning equipment at present unsuitable for Nova Scotia coals in the local market area."

BY THE CHAIRMAN: Which includes what?

4. I think perhaps the word "local" there is not quite appropriate. If I may read the rest of this text, sir, and then we will have a chance for questions?

BY THE CHAIRMAN: Yes.

PROFESSOR MACGREGOR continues:

"The report of the Nova Scotia Royal Commission on Provincial Development and Rehabilitation strongly endorses this application of the mines' earnings, and rejects the idea of government aid. 'The Commission is unable to see any conceivable reason,' it says in Part VI, paragraph 61, 'why any government (particularly in view of the enormous aid now being given)' . . .

BY THE CHAIRMAN: That is wartime aid?

PROFESSOR MacGREGOR: That is probably true. (Continues):

" . . . should come to the aid of the Dominion Steel and Coal Company in a matter of this kind. The Commission has been told that new burners in seven or eight plants alone would enable them to use 250,000 additional tons a year, and it would seem probable that with some inducement from the Company the existing burners might be replaced with more modern equipment capable of using Nova Scotia coal. These inducements have apparently not been offered, although assistance of this kind is a common and evidently a profitable industrial practice elsewhere.'

"(3) Research in the burning and marketing of coal as domestic fuel in the Maritime area, with special reference to competition from wood and oil.(See Nova Scotia Royal Commission above cited, Part VI, paragraph 77.) Possibly the use of domestic stokers should be encouraged."

We recognize that that is only a small segment of the market, but after all a market is composed of small segments.
(Continues):

"(4) Contribution to a social welfare fund for miners.
(cf. Dawson Report, VI, par. 106)

"Turning now to another aspect of applying the benefits of subsidies, we have in mind also a more constructive use of funds by the provincial government, such as assistance to a miners' welfare fund, and financial and technical aid in the improvement of housing and transport in mining areas in order to avoid the evils of ghost towns and uneconomic use of the men's time going to and from the pits. (cf. Dawson Report, VI, p.37-62). Further it would appear that economics and other improvements in municipal government services are possible. The municipalities, as indirect beneficiaries of federal aid, should be given encouragement and perhaps financial assistance by the province to utilize the benefits constructively for the mining population, which may not appreciate the extent to which the higher standard of living in other areas is a result of efficient and up-to-date municipal government."

BY MR. FR. WLEY: The opening words, you say, "When we suggest that the financial benefits of subventions should be constructively applied we have in mind, first, the application of not less than a given proportion of the mining companies' net earnings (after taxes, depreciation and other appropriate adjustments) in several directions." Of course that presumes a profitable operation, with some net earnings at the end?

A Yes. I may say we did not have access to statements which show the operations of the coal mine business.

Q Well, without making any statements, unless you can assume that there are net earnings after depreciation and taxes, then presumably these recommendations of yours would not have quite the same force and effect?

A No, they would not, but it is possible that the government

might consider making a direct contribution toward an undertaking of this kind. It might be cheaper to do it that way than to make a contribution which requires making a lot of railway cars and tracks incidental to the coal trade.

- Q Assuming that the operator is not in that position, you would suggest that probably the federal government should make a subsidy to substitute for a net earning after taxes and depreciation?
- A Subject to the fact that none of that should be paid out as dividends.
- Q Of course, don't you think if you are going to go that far you are getting to the position where no government should do that unless they have a very large voice in the operation?
- A I have suggested that the government would not care to make a direct contribution to dividends. I would think that with respect to certain specific undertakings the government would want to be satisfied that money was being satisfactorily spent, and an audit of the company's books would probably be involved.
- Q In Nova Scotia the burden of the Mine Workers' brief was nationalization of the Maritime industry. Would you not think that your proposals would lead very much in that direction?
- A I don't think they would necessarily do so, sir. In the province of Ontario we have had a good deal of experience with various forms of municipal and provincial ownership, and our experience does not convince us that it always produces a more efficient and progressive management. I think people in the City of Toronto feel that particularly, where they feel they are very well served by a regulated gas company and telephone company, in comparison with a publicly owned street railway. There is very little indication of a further demand for a municipalization, let me say, of gas and telephone.

- Q Of course I have ridden on a pretty good street railway system in Toronto, which I understand is owned by the City?
- A The system is good, but those who are here today who have lived in Toronto for the last three or four years may not feel the same way about the service.
- Q Without getting too deeply into that, without going as far as nationalized ownership of the mines by the federal authority, you think there should be a measure of control somewhat comparable to public utility control and regulation?
- A I think some form of supervision would certainly be called for if the government were making direct contributions. I don't think it would be reasonable to pay out the money without some supervision.
- Q Supervision is a large word and you think that, intelligently interpreted, that would suffice?
- A Speaking generally, yes. This is a matter in which one hesitates to be specific.

BY MR. STUART: I think the professor means supervision in the sense of keeping a watchful eye on the industry.

BY MR. FRAWLEY: Well, on the operation which your money was keeping operating?

BY MR. STUART: That's right. That is what I mean.

- A In fact it might be that this would be more effective than the present method, where the government's technical interest from an accounting standpoint ends with the payment of subvention.

BY MR. FRAWLEY: There is another matter, that the provincial authority must spend some money, and what bothers me, if you are going to cut down the production you are going to cut back the royalty and that is going to cut back the wherewithall of the province to make these expenditures.

- A I may say, sir, I do not think our brief should be interpreted as leading to the reduction of the Nova Scotia output to 3,000,000 tons a year. If I may draw attention to our

remarks on subsidies, we have not asked for the complete abolition of subsidies.

Q You mean now subventions?

A Subventions, yes. We do not take the attitude that subventions should be wholly abolished.

Q But you do contemplate a reduction in the Nova Scotia production as one of the consequences of this free influx of American coal that you are advocating?

A Not necessarily. That would depend entirely on economic conditions. I would think that Nova Scotia would maintain approximately something not far from her maximum production. She is doing so now and selling almost no coal up the St. Lawrence.

BY THE CHAIRMAN: You can't apply that to ordinary times.

A We realize in selling coal up the St. Lawrence in future the competition of water power is going to be a factor.

BY MR. FRAWLEY: Do you take the attitude, We are quite content with what the situation was before the war but we do not want any increased subventions? You can favor that?

A We are rather alarmed by the attitude taken by Dominion Steel and Coal Company in their brief. At one point they say that production in Nova Scotia cannot economically exist above 7,000,000 tons, but at another point Mr. MacLanders says that they are shooting with open sights all the time, and he said, "We will take what we can get."

BY THE CHAIRMAN: Isn't partially the answer to the markets of Nova Scotia a better utilization of what they have?

A Of the coal or of the other resources?

Q Yes, potentialities to which coal may be put. For example, don't you think that if they established good coking plants down there that would put them in a position to compete at least with the oil innovations that they are unsuccessfully competing against now?

A That is a proposal that attracts me. I have not heard that

suggestion made, but it attracts me. We are aware that there are ways of improving the local situation from the standpoint of the mines. In fact we had prepared a preliminary statement on that also.

BY THE CHAIRMAN: It has been discovered, even in Nova Scotia where they don't discover many things, that power can be more economically created from coal than water-power that we have there, and we have a splendid water-power development. They are establishing power all through the country, the government is, through utilization of coal.

A That would seem to offer a good many opportunities in the more densely populated portions of the province. I don't know the province very well.

Q No, this is all for the part that is not densely populated, the forgotten people who have never had a light in their houses, sir.

A Would that include the Pubnicos?

Q Yes, which contributes a great deal to the economic conditions of Nova Scotia from sea fish and very often from farms. Are you also aware that the coal companies of Nova Scotia have not succeeded in getting their own markets in the Maritimes?

A I have not any information on that, sir.

Q Well, unfortunately I have been watching it down the years and in 1923 or 1924 a brave effort was made by the Government of Canada at that time to establish coking plants along the St. Lawrence River for the utilization of Nova Scotia coal, but the thing fell through for some reason or other, I don't know. My own opinion is that the coal companies of Nova Scotia have not been giving the same attention to their own local markets, through the proper utilization of coal, that they have been giving to try to get into uneconomic markets. I am quite frank about this and I am saying it to you. That is one of the opinions I have been expressing down the years.

A It is a case of far fields are green?

Q Yes.

BY MR. FRAWLEY: I think it is important, at the risk of repetition, to get your views on the existing situation respecting the movement of coal by subvention. Are you content with the system of subventions that puts, for instance, Nova Scotia coal, 400,000 or 500,000 tons a year, into the International Nickel Company at Copper Cliff, just as an example, or do you think that that is an invasion of what you regard as a market for American coal?

A That is a rather specific point, sir, and I would like to refer it to Mr. Stuart, as he may want to call on somebody else.

Q I think that would indicate to what extent you oppose the existing state of affairs, because under the existing state, peacetime I mean, Nova Scotia coal goes into Copper Cliff.

A Does it go by rail from Montreal or by rail from Little Current?

Q The subvention order-in-council is worded so that it goes either way, sometimes by water to Three Rivers, sometimes by water to Montreal, transshipped to Georgian Bay ports and then by rail to Copper Cliff. What are the views of your group on the system of orders-in-council that allows that to be done?

A Might I ask another question? I apologize for this but it is hard to get details on subventions. The Dominion Fuel Board reports give very sketchy information.

BY THE CHAIRMAN: Perhaps you could tell, Mr. Frawley, how much it does take in the way of subventions to get that coal in there?

BY MR. FRAWLEY: I think there is a question, Mr. Chairman, about that information. I am inclined to think--that information has been given to us, of course, but I don't think the Fuel Board would give that information to all and sundry.

BY THE CHAIRMAN: Why not?

BY MR. FRAWLEY: I never asked them why not but I really think that is the position, sir.

BY THE CHAIRMAN: Well, are you able to give this information?

BY MR. FRAWLEY: Oh yes, I am.

BY THE CHAIRMAN: I am not for keeping anything out of this record.

BY MR. FRAWLEY: With that understanding I am quite prepared, if I had the actual figure here.

BY THE CHAIRMAN: Otherwise the gentleman who is giving the evidence is in the air about it.

BY MR. FRAWLEY: I think I can give him an approximate figure. In the year 1939, because I made it my business to ask Mr. Neate and he worked it out for me, eliminating the lost duty and the lost excise tax, which I asked him to add in, I think it ran about \$700,000 or \$800,000.

A How many tons?

Q I know the figure including duty and excise tax but I think that, excluding that, it would run between \$700,000.

BY THE CHAIRMAN: For how many tons of coal?

BY MR. FRAWLEY: For about 400,000 tons of coal.

PROFESSOR MacGREGOR: That is about \$1.75 a ton.

Q Average. You see some of it carries a movement of such and such a maximum.

A So that it might, with respect to the more expensive part of the shipment, amount to the maximum of \$2.50?

Q I don't know that it would run to that. I think the maximum is \$2.00. I know the movement from Georgian Bay to Copper Cliff, the maximum there is \$1.00.

A That not being a very great distance?

Q A short haul.

A May I draw your attention to our page 12 where we refer to an example in the movement of coal from Montreal to Hamilton,

an example already brought before the Commission by Professor R. W. Angus. We feel that in that case the subvention was excessive. My impression from your description--realize that I am now talking without figures in front of me--of the shipment to Copper Cliff is that it is in about the same class as this shipment to Hamilton with respect to the all-rail movement. With respect to the water movement it would appear to be less expensive, but the lumping of these things in averages tends to conceal the fact some of it may be exceeding the cost. If you ship 50,000 tons at the cost of \$4.00 and 50,000 at the cost of \$1.00 you are going to have an average of \$2.50, but there is an outlay there which might be sheared off at great advantage to the Dominion Treasury. There is a point at which these things begin to mount very rapidly. It would appear that the more costly shipments to Copper Cliff are in that class and we would regard that as distinctly on the costly side.

BY COMMISSIONER McLAURIN: Then your position is not opposed to subventions but just the degree of them? Now the present degree is \$2.00. If you don't like that, how much less do you want? I mean the orders-in-council say, "We will give you assistance up to \$2.00," and it is there to be taken benefit of by the industry. All they have to do is show the difference in laid-down cost of American coal is \$1.92 and establish that fact to the Dominion Fuel Board, so that the present government position is that up to \$2.00 will be given.

A I would like to be quite sure I am not talking about one provision that provides for a 30% reduction in freight rates.

Q That is locomotive coal, and even that aid has a maximum, and the existing one now in force is \$2.00. Is it too much or isn't it?

A If I may try to formulate our position, our feeling is a good deal can be done for the Nova Scotia coal industry within a

relatively small distance from the mines within the Maritime Provinces and to head of ocean navigation in the St. Lawrence.

Q That is nothing more than an argument that they should help themselves, and I don't see how anybody can quarrel with it, but here we have, right at this moment, a government policy of subventions of \$2.00 a ton. Now are you in favour of it or aren't you? Is your opposition to subventions, or is it an opposition to the degree of subventions?

A It is an opposition to the degree of subventions.

Q All right. The present degree is \$2.00. Of what figure do you approve?

A I wouldn't want to undertake to draw the line without having had an opportunity to examine the whole market situation. I recognize it is difficult to do. I wouldn't undertake to cut through that Gordian knot.

BY MR. FRAWLEY: I wonder if I might add this. If you had the information that I have relative to the cost of the movement of International Nickel coal in 1939, excluding the lost duty and excise tax, with the pertinent orders-in-council under which the varying subventions were granted, you might perhaps like to submit a memorandum?

BY THE CHAIRMAN: The International Nickel picture covers a very, very small portion of subventions.

BY COMMISSIONER McLaurin: If I were a gentleman selling American coal I would say, "I don't want that subvention." I don't know where I stand, but I certainly know where I would stand if I were Mr. MacGregor, representing the interests he represents.

BY MR. FRAWLEY: He was not able to answer Mr. Justice McLaurin as to whether he would like it off, and I rather thought he would be able to say that if he had a further chance to study the orders-in-council and the movement.

BY THE CHAIRMAN: There is one thing in talking about the subventions that carried coal into Noranda, was it?

BY MR. FRAWLEY: International Nickel.

BY THE CHAIRMAN: It did more than supply a market. It showed the big users of coal in Ontario that so far as quality is concerned for their particular needs that it was on a par with American importations, because it competed there on the same level, given an opportunity to get in there on the same level that our good friends across the border were, and that is one of the great things that that importation, if you want to call it, of Nova Scotia coal into International Nickel did.

PROFESSOR MacGREGOR: You would regard it as in part advertising expense involved?

BY THE CHAIRMAN: Oh no, not advertising at all, but the people of Ontario always said that if they could get the same quality of coal for certain purposes they would be very glad to take Nova Scotia coal, you see, and this was--you could call it advertising, if you will. I suppose you people do a little advertising too. You are doing it right before this Commission.

A We are trying to be brief, sir.

Q Oh, I am not complaining, and I am not complaining about your attitudes about these things at all. You see, subventions have done more than allowed the mines East and West to supply more coal. They have brought it firmly to the attention of people who use certain qualities that so far as quality is concerned they are well satisfied, something I am afraid your people, in the years gone by especially, often tried to offset.

BY MR. FRAWLEY: On page 13 you suggest that "some more permanent and less costly solution can be found" to the problem of spending money on subventions. Now have you got an expansion of that remark?

A I could do so, sir, if you would care to. I don't say I can offer any daring novelties. I have a statement here which I

can read into the record.

Q Yes, please do.

PROFESSOR MacGREGOR proceeds to read statement:

"We do not profess to have found any new solution for Nova Scotia's coal problem, but feel that important contributions to its solution have been offered in recent discussion. We would draw your attention especially to the following:-

"1. Certain large boiler installations within or on the fringes of Nova Scotia's natural market have not yet been adapted to the use of Maritime coal. This is recognized by the Dominion Steel and Coal Company whose brief before your Commission (at page 211, Volume III) mentioned thirteen plants in the province of Quebec, consuming 415,000 tons a year, in which suitable equipment has not yet been installed. A recent Nova Scotia inquiry refers to the same situation, but suggests a lower figure of seven or eight plants consuming about 250,000 tons a year (Dawson Report, VI, paragraph 76)."

To this I think I might add improved burning equipment and more appropriate quality. I understand Bras d'Or is making briquettes.

BY THE CHAIRMAN: They oil their coal.

A I heard the statement made in conversation yesterday that they made some briquettes.

Q They have a little place there for investigating these things; I don't think commercially.

PROFESSOR MacGREGOR continues:

"2. Another part of the natural market for Nova Scotia coal is the household or domestic consumer who has up till now used wood. On many farms and in all remote places wood is probably a more economical fuel than coal, but a good proportion of those using wood for heating in cities, towns and villages would probably follow the tendency

elsewhere in North American and turn to coal if improved burning equipment and marketing arrangements were provided. If one-quarter of those who now burn wood could be induced to burn coal, they would provide a market for some 500,000 tons of coal and coke. To this end the use of briquettes made from slack coal would merit investigation."

We do not maintain that this domestic market can be built up over night. It would be idle to suggest it could be built up between now and a year hence. It is something that would take some time to develop and there may be a period when the advantages that would accrue from this would not be enjoyed in Nova Scotia, and it may be said that other mining companies elsewhere have pursued a fairly long-run policy in an effort to push their product.

BY THE CHAIRMAN: It may interest you to know that this Commission intends to see what can be done to make those companies assist themselves in various matters, if they are pursuing the wrong course at the present time.

PROFESSOR MACGREGOR: This is something that occurs to me personally. I do wonder how far the production of hardwood for fuel does restrict the production of hardwood for lumber. My own knowledge is limited to a restricted area and I do know that the tendency is to cut the hardwood quite small and use it for fuel, whereas if it were not cut it would grow to a merchantable size for mills. There is an aspect there that the Dominion Forestry Service might have an opinion upon. It may be that the use of coal might fit in with a forest conservation programme.

BY MR. FRAWLEY: It all comes down to a question of tonnage.

Have you estimated how much coal is being displaced by wood?
A Mr. MacLanders spoke of 2,000,000 tons as the equivalent of the total amount of wood used. We don't think it is ever possible to displace wood wholly in farming areas; it would

be uneconomic. We suggest as a guess 500,000 tons, or a quarter of that amount. A careful estimate would involve examination of the census figures by towns, cities and villages over the whole area. It is now possible to get that information and I suppose a couple of statistical workers could produce a fairly careful estimate, first of all of the total area where coal might displace wood. . . .

BY COMMISSIONER McLAURIN: Yes, but the area of which you are speaking is to a very large extent the area to which Dominion Coal gets access by virtue of tariffs and subventions.

A I think that is true, sir, but the burning of bituminous coal in the older style of burning equipment is not as easy as the burning of wood. We have reason to believe that there are new styles of burning equipment, and the Chairman suggested that an improved production of coke would assist the matter.

BY COMMISSIONER McLAURIN: Frankly I don't see why you should be too disturbed with all the infirmities of Dosco. It seems to me that you were suggesting that while they were struggling their subventions and duty should be cut off. Surely you can't run your own business and run Dosco's, too. I don't think we want to take a black and white position of that kind. It is true there is a black and white theoretical controversy between free trade and protection, but in the real world these blacks shade off into greys. I think that is the point I was trying to make yesterday in the discussion.

A We think that the black and white distinction does not lead to the discovery of a practicable solution.

Q As far as this duty is concerned you just want it to be grey now, or black and white? Do you say you want it off?

A On the duty we have been, let us say, white, sir.

Q But with subventions you don't know, you may be just greyish? You may be ready to see some of them, but you don't know how much?

4 I think we have given reasons in the discussion of oil on the matter of duty.

BY THE CHAIRMAN: It is going to be pretty hard on the people who pay income tax if all the duty is taken off coal. Coal is one import the duty on which goes directly to the treasury of this country.

BY MR. STUART: Do you regard that as a fiscal tax or a protection?

BY THE CHAIRMAN: Up till 1931 it was regarded as absolutely a fiscal measure.

PROFESSOR MacGREGOR: Would that be so, sir, in the years immediately after the introduction of the National Policy?

BY THE CHAIRMAN: Yes sir. Not immediately after.

BY COMMISSIONER McLAURIN: Well, it all depends, whether Sir John A. Macdonald was talking protection or Sir Wilfrid Laurier was talking tariffs for remedy.

BY THE CHAIRMAN: You see tariffs that are imposed on the manufactured goods in Ontario or any other part of Canada don't help the treasury of this country very much. Coal is one of the few things on which the duty goes directly to the treasury.

PROFESSOR MacGREGOR: On your question with regard to the income tax, sir, we see quite a little of the consumers of coal and we are aware that a tax on coal is a tax on production that strikes very unevenly as between one industry and another. There are some that consume a large amount of coal, more especially certain export industries, and the tax on their coal may be enough to wipe out a substantial amount of their earnings.

BY COMMISSIONER McLAURIN: Do you say that the treasury loss would be recovered by income tax through the consequent expansion?

4 That is a possibility, sir, which we will hope for. There would be a movement in that direction. If I might make one

further observation with respect to the tax on coal. I have said it is a tax which strikes very unevenly as between industries. It also strikes very unevenly as between firms within a given industry. If there are six firms in an industry, three of which are making profits and three have losses, and each of which uses the same amount of coal, the profitable firm pays the same amount of tax as the firm losing money, the tax in that regard bearing no relation ---

BY COMMISSIONER McLAURIN: They are all even though; they are all starting out on the same basis. I would have thought you would run into this situation: you would have one industry that has a location to use hydro advantages or oil and another that is obliged to use coal; I can see some unfairness there; but you have six of them using coal, three of them taking a loss. Your attitude should be what your attitude is to Dosco.

BY THE CHAIRMAN: While this is a Coal Commission I want to say it is in my opinion primarily for the people who dig coal in this country that we should have such a policy. I have been brought up among the miners of Nova Scotia, and today if their production were lowered by the fact that subventions were taken off or duty was taken off, if it would lower the markets, which it would, if their markets were lowered to the extent that you are suggesting, half the coal miners in the province of Nova Scotia would be on the streets starving, with their families, and so far as I am concerned those are the people that I am more interested in--not only in the miners of Nova Scotia but in the miners every place, and the workmen. Those are the people that I am primarily interested in. And consumers of coal--of course they are the people who are crying for lower tariffs, which will necessarily bring down the output of those mines, that is something that they should consider.

PROFESSOR MacGREGOR: I think we realize the weight of what you said, sir, but we would take the opportunity of observing that if a very large amount of duty were given to Nova Scotia it might have the effect simply of transferring unemployment and distress from Cape Breton to the pulp and paper towns of Ontario.

(Page 4789 follows)

BY THE CHAIRMAN - The people of Ontario are getting along very well, and leaving the thing in status quo is not going to injure them in any way.

A. I was not referring to the status quo, but rather to a much greater amount of assistance by way of protection.

Q. Suppose the coal in Nova Scotia is cut in half next year, and all of the Western Provinces, it means that all of the people employed there would not be able to make a living at the industry where they were taught to make a living.

A. I think we have remarked on page 12 "in certain cases of emergency, such as an acute unemployment crisis, or in the foreign exchange situation of 1940-41".

Q. I am not talking of emergencies. You are trying to create an emergency so far as the miners of this country are concerned and those dependent on them for a livelihood. You will create an emergency if we cut out subventions and lower the production east and west, and as far as coal is concerned there has always been an emergency in this country. In any country unable to supply its own demands for coal there is always an emergency, as in anything else where there is lack of supplies.

A. That is a position with which we don't agree, Sir.

Q. What made the emergency in Canada on the coal problem during the war? Shortage of supplies?

A. I think the most difficult situation was found perhaps in the Province of Quebec.

Q. I am not talking about any part. Was it an emergency in the Province of Quebec that they were not able to get sufficient coal supplies?

A. It was, very definitely. And it was necessary to rely on the fields to the south of the Lakes in order to tide over the emergency. There are several more points in this supplementary statement which I can read into the record. These are not as important, they have to some extent been mentioned already, and I might read them very quickly.

MR. MacGREGOR continues reading

3. Concentration of mining operations in the lower cost fields would permanently remove some 100,000 tons of what is virtually distress coal from the market, thereby easing the marketing problem of the better mines. We recognize that there are grave difficulties in closing down extra-marginal mines when no alternative source of employment is available in the same neighborhood, but suggest that operations which employ only three or four hundred people (I mean direct employees) in a province which employs over ten thousand in coal mining alone, do not present a problem too great for solution by government. Elsewhere in Canada, very considerable shifts of population have taken place at one time or another away from depressed areas and industries, as those who are familiar with the economic history of British Columbia, Alberta, Saskatchewan, Ontario and Quebec know full well.
4. Greater use of electricity, especially in rural areas of Nova Scotia offers another outlet for Nova Scotian coal. This would at the same time help to bring the advantages of modern household equipment to a larger part of the consuming public in the Maritime Provinces, and perhaps improve the chance of securing new industries. The lack of an abundant and moderately priced supply of electricity is a serious obstacle to the establishment of medium-sized factories in small cities and towns.
5. Nova Scotia coal used to find a market in New England but can no longer compete despite free entry under the U.S. customs tariff. We feel that the amount of subsidy required to reach a portion of this market deserves study, as an international agreement might be possible in which Nova Scotia coal could reach its nearby, all-year-round coastal market in return for tariff concessions on United States coal into central Canada. We recognize that this would

result in some loss to United States bituminous mines catering to the Atlantic seaboard and do not wish to minimize the difficulties of such an arrangement. We feel, however, that it might ultimately provide a more economical solution than that now proposed in Nova Scotia.

6. We wish once more to emphasize the constructive proposals in the Dawson Report for Nova Scotia, part VI, Chapter 12, pages 46-51.

BY MR. MCGREGOR - There is one thing I would like to add, that rural electrification for Nova Scotia would make it considerably more attractive to tourists.

BY THE CHAIRMAN - We are not interested in tourists so far as rural electrification of Nova Scotia is concerned. We are interested in the poor people that live there.

BY COMMISSIONER McLAURIN - Are you suggesting an export subsidy?

A. We state that "an international agreement might be possible in which Nova Scotia could reach its nearby, all-year-round coastal market in return for tariff concessions on United States coal into central Canada."

BY THE CHAIRMAN - Just there. From 1897 down several years Nova Scotia coal had a tremendous market in New England, brought about no doubt by the influence of those who organized the gas and coke companies there in those years. And when the railways of the United States finally began waking up to the fact that they were not getting their proper share of this trade for their mines, they went to the government of the United States, and forthwith there was a tariff clapped on Canadian coals going into that market. That is how it was taken away from us.

A. We believe there is now free entry there.

Q. Yes, but they built docks with the assistance of some of the gas companies and users of coal there, which have all gone.

A. Would it be true that the problem of re-entry is not unlike the problem of entering the Ontario market in the matter of adapting equipment for new trade?

Q. I am not talking of the equipment for burning coal.

BY COMMISSIONER McLAURIN - Are you suggesting that we subsidize exports to New England?

A. Yes.

Q. Are you serious about that?

A. We think it possible that the United States might be willing to accept such an arrangement if it had the assurance of the central Canadian market.

Q. In this day when we are trying to do the reverse and in which every country is concerned with the impact of goods. Do you think it is consistent with your position that we want this duty off of American coal? I could tell you that the State Department of the United States at one time when the Order-in-Council went through for the subvention going to \$2.50, it became a serious matter of exchange between the American State Department and the Department of External Affairs, and Canada in the interests of the United States kept it down to \$2.00

A. That is what I had in mind when I made the reference to Ontario Pulp & Paper, earlier.

Q. Frankly, when you hint that we start using subsidies to invade the United States is against the principle of wanting this wiped out. I can understand that we might want duties and subventions off and everyone to struggle, and knowing the importance of American coal I can understand why you take that position and say "if Dosco goes broke, it goes broke".

A. I was wondering if I might repeat the sentence which I read "....an international agreement might be possible in which Nova Scotia coal could reach its nearby, all-year-round coastal market in return for tariff concessions on United States coal into central Canada." That is what we have in mind.

Q. How will you work that out? You are dealing with gentlemen who are your clients, some of whom have the closest connections with people who are producers of American coal in the same area.

What they are here today for is to fight for a suitable opportunity to invade the central Canadian market, and you are suggesting a solution that will chase them out of another market.

A. In view of what the Chairman said a short time ago, it is possible that this would not be necessary if the Dominion Steel & Coal were able to put up the capital for docking facilities.

Q. You have a man-day production in Nova Scotia of $1\frac{1}{2}$ tons, and in the American fields of 7 tons. They have difficulty in getting into Ontario, and in Nova Scotia...

BY THE CHAIRMAN - To replace that market the Dominion Coal Company, and other companies in Nova Scotia, started on the market in Montreal, to take the place of the New England market. I think it looks rather selfish for you to say that now they should be at the mercy of someone else and made to expend money, and they could not get into the New England market now anyway.

BY MR. FRAWLEY - The Americans are too much entrenched there.

BY COMMISSIONER McLAURIN - If they can get in, let them go, but you are here trying to destroy an artificial means and put a barrier against the coal going into Ontario.

BY MR. MacGREGOR - There is one more paragraph that I read. The latter suggestions we regard as minor, but our feeling is that every avenue ought to be explored, and I appreciate the comments you have had to offer on this matter. These things are beyond the fringe of our immediate knowledge. We do not presume to instruct the Government in regard to policy.

BY THE CHAIRMAN - One thing you need not think about is that it is possible for coal, east or west, to get an export market, especially the coal east.

BY COMMISSIONER McLAURIN - Unless they get cheaper coal?

BY THE CHAIRMAN - It is impossible under conditions to get as cheap a coal in Nova Scotia as you can get in the United States.

BY MR. FRAWLEY - One more thing. On page 7 you speak about the depression and you seem to lay the depression in the coal industry to the appearance of newly discovered sources of energy

and the more economical methods of using coal. Don't you think that the coal trade, like all trades in those depression years, suffered from general world conditions, rather than those two particular things you itemized on page 7?

A. That is competition from other forms of energy?

Q. And the more economical method of using coal. But was not the depression in the coal trade part of the world wide depression?

A. That is true, Sir, and it is difficult to give exact quantities to these things. Competition by hydro-electric is something that is coming on gradually.

BY DR. HOWLAND - The overwhelming fact was at that time during the depression, the level of production in national income throughout this country and throughout the world.

BY THE CHAIRMAN - I want to thank you gentlemen, for at least your very frank statement.

BY MR. STUART - We wish to thank you for your very patient hearing of our brief.

BY COMMISSIONER McLAURIN - Someone from Ontario says we want duties and subventions off and everyone to stand on their own feet; and Central Canada to remove their tariffs; and Nova Scotia to struggle; and speaking for these manufacturing industries, we want them to take it on the chin as well as anyone else. That seems to be the only position to take, and nobody yet has come forward to state that, although we have been going for almost a year now.

DONALD G. MUNROE - EXD. BY MR. FRAWLEY

Q. You are the President of the Montreal Coke and Manufacturing Company?

A. Yes sir.

Q. And you manufacture some coke in Montreal?

A. That is right.

Q. And you are here to present a brief on behalf of that company?

A. Yes.

EXHIBIT No. 232 - Brief submitted by Montreal
Coke and Manufacturing Company.

BY MR. MUNROE - I may say in the first place to start with that this brief is brief. It deals with only one phase of our business, and that is the coal business, which I presume is what interests you. If there is anything else you want to know, I will try to furnish the information.

MR. MUNROE then reads Exhibit 232, as follows:-

Montreal Coke & Manufacturing Company was formed in April 1927 to own and operate a by-product coke plant at Ville LaSalle, P.Q., just west of the City line of Montreal.

The share capital of this company was supplied in equal amounts by Montreal Light, Heat & Power Consolidated and By-Product Coke Company of Canada Limited (a wholly owned subsidiary of Koppers Company of Pittsburg, Pa.).

Montreal Coke & Manufacturing Company commenced operations on the 15th of June, 1928. Its plant consisted of 59 Becker-type Koppers Ovens and all the auxiliary equipment necessary for handling raw materials, gas, coke and the resultant by-products.

The Company undertook to supply Montreal Light, Heat & Power Consolidated with its entire requirements of gas used in the City and District of Montreal for domestic and industrial purposes for a period of twenty years beginning on its first day of operation.

The coke produced was to be marketed as domestic household fuel and for industrial purposes in the territory geographically accessible to it.

The plant was designed for a coal through-put of 1,250 tons per day, or about 457,000 tons per year. This nominal capacity was, however, largely exceeded and at the present time is about 565,000 tons per year.

During the whole period from commencement of operations until the end of 1944 a total of 8,105,000 tons of coal was processed, resulting in the production of about 4,900,000 tons

of coke for sale. Most of this production had to be marketed as domestic fuel in one of the most highly competitive markets in the world, one which, prior to 1925, had been dominated by American anthracite, but which subsequently became accessible to Welsh and Scotch anthracite in large amounts as well as to anthracite and semi-anthracite from Germany, Belgium, Holland and, in later years, to anthracite from Russia, Indo-China and Morocco. In addition, there were importations of coke from time to time from the United States, Great Britain, Germany and Poland.

Inasmuch as the consumption of solid fuel cannot be stimulated beyond the point where all the population has enough to keep warm, it might be said that the total tonnage of solid fuel used (disregarding any displacement by fuel oil) may be considered fixed, increasing only with growth in the population. Consequently, as each new competing fuel arrived in the Montreal market, it could be sold only at the expense of its predecessors already established for a longer or shorter time.. It is not, then, very surprising that the principal appeal of a new fuel must lie in its cheapness or in a better quality than that of those fuels which it must displace in order to be sold.

The product of Montreal Coke & Manufacturing Company - which is known by the trade name of "LaSalle Coke" - when it was first produced contained about 10% ash. At that time American anthracite commonly sold contained perhaps an average of 13% while Welsh coal, which had already gained a firm foothold, might have averaged less than 6%.

LaSalle coke was first offered to the public at \$13.00 per ton (that of course was the retail price) at a time when the price of American stove coal was \$15.75 and Welsh Cobbles \$16.25. Notwithstanding this differential in price, whether on account of quality or improper sales method, or a combination of the two, LaSalle Coke did not find a ready acceptance and, notwithstanding most vigorous sales campaigns, in November 1930 - less than thirty months after production first began - Montreal Coke & Manufacturing

Company found itself in the position of having produced 180,000 tons more coke than it had been able to sell, i.e., it had lying on the ground coke to the value of over one and a quarter million dollars - or about 28% of all the saleable coke it had produced since the beginning of operations, a truly serious position. Obviously, this could not continue indefinitely. It was decided that the price was low enough but that every effort must be made to improve the quality, which, of course necessitated using better grades of coal.

In 1931, the ash content of the coke had dropped to a little less than 8.5% and the amount of coke in stock had decreased 25,000 tons. In 1932, the ash content of the coke had decreased to 7.5% and the coke stock had decreased a further 25,000 tons. However, on account of the serious economic conditions prevailing, it was not felt that the reduction had gone far enough so, during the year 1933, the rate of operation of the coke plant was reduced about one-third; at the end of that year, the coke stock being 48,000 tons.

The winter of 1933-34 was a particularly severe one so that the spring of 1934 saw the coke stock cleaned out.

The ash content of a fuel is not the only measure of its worth, it is true, but it is one of the main qualities which differentiates one fuel from another. The management of this Company was so thoroughly impressed by the first five years of difficulty and anxiety that it came to the firm conclusion, which remains unshaken today, that to maintain a good position in a highly competitive market the quality of a produce can never be too good.

When this Company was established we held the view, which we have since modified somewhat, that our coke should resemble American anthracite, the dominant fuel in this market, in its burning characteristics so that there would be no difficulty in burning coke in equipment designed for American anthracite. We thought, also, that the ash in the coke should be much lower

than that in American anthracite and that the ash should not clinker when the coke was burned in a domestic furnace, even when very severe weather conditions required forcing the heating equipment to its utmost capacity.

There is no coal in Nova Scotia which can alone produce a coke of this nature. However, we realized from the very beginning the desirability and the obligation of using at least some Maritime coal if possible and from the beginning of the project endeavored to work with the British Empire Steel Corporation to this end. In 1926, prior to the construction of our plant, we arranged to have tests made on coal selected by it (that is the British Empire Steel Corporation) to see what, if any, quantity could be used in mixtures with other coals to produce coke we felt could be sold in the Montreal market. The results of the extensive tests were not good and we reluctantly came to the conclusion that it would be impossible to use any considerable amount of coals of this quality.

None of better quality were offered us and, consequently, we started our operations with 100% American coal and even then encountered the difficulties we have referred to above.

The officials of the British Empire Steel Corporation always took the view that it was not necessary for us to have the quality of coals we believed we needed and made no effort to provide them. However, when this company was succeeded by Dominion Steel & Coal Corporation Limited, the latter took the position that we were competent to judge the quality of coals we required and made every effort to try to give them to us.

With their co-operation and the assistance of the Federal Government, further and larger scale tests with a better quality of coal were made in the summer of 1930 in our own plant. These results were observed and checked not only by our own experts and those of the Dominion Steel & Coal Corporation Limited but also by representatives of the Mines Branch of the Department of Mines at Ottawa. These (the results) were better than those of

1926 but indicated that such coals as were tested could only be used in limited quantities. Moreover, the coal tested caught fire under our storage conditions after only a few weeks, which would have made it impossible to use except during the summer months because our entire coal supply is received during the season of navigation and some of it must remain in storage undamaged for as much as five or six months.

Notwithstanding these unsatisfactory results, this Company continued to try to find some way that would permit the purchase of at least a substantial part of its coal requirements in Nova Scotia. It co-operated actively in the efforts of the Dominion Coal Company, aided by the Technical Staff of the Dominion Fuel Board, to find a satisfactory solution to the problems of quality and storage. Unless this could be done, no price, no matter how low, would be attractive. These experiments were eventually successful. By special methods, the Dominion Coal Company was able to prepare from their Princess and Waterford No. 12 Mines, coal of such a quality that at least 35%, or about 175,000 tons a year, could be used with mixtures of other coals to produce the desired quality of house heating coke. The storage of this prepared coal was also satisfactory. However, its cost of production was so high as compared with competing coals that the Dominion Government on April 26th, 1933, enacted Order-in-Council P.C. 944, which provided for the payment to coal operators of the difference in amount per net ton between the laid-down cost of this coal to the coke oven operator or gas manufacturer and the laid-down cost at the same place of imported fuel which would otherwise be used up to a maximum of One Dollar (\$1.00) per ton.

BY THE CHAIRMAN - I just don't get that. That is that if there was a difference in the laid-down cost of \$1.00 per ton..

BY COMMISSIONER McLAURIN - That is the subvention.

BY THE CHAIRMAN - Was there a difference of \$1.00 per ton between the laid-down cost of American coal and Nova Scotia coal?

A. That is right, Sir. The Coal Company, I believe, had to submit evidence of their costs to the Dominion Fuel Board, who determined whether it would be the full dollar or something less.

Q. You get your coal all by water apparently?

A. Yes, which means it must come between the 1st of May and the 1st of December, substantially. I have that Order-in-Council right here that I have referred to.

BY MR. FRAWLEY - We have that, Sir.

MR. MUNROE continues brief.

At this time Tariff Item 1049 effective March 25, 1925, was in effect. This provided for a drawback of 99% of the duty paid on imported coal converted into coke in a by-product recovery coke oven plant.

BY MR. MUNROE - That of course was before our establishment, but its object was to encourage by-product coke plants, no matter where the coal came from.

MR. MUNROE continues brief.

So long as this 99% drawback remained in effect on the imported coal NECESSARY TO MIX WITH THE Nova Scotia coal, the average cost of coal at Montreal, although higher, could be borne by Montreal Coke & Manufacturing Company.

If the drawback were reduced to 50%, as provided in the Tariff Act of 1934, this would no longer be possible as the Coke Company could not stand the extra expense and the Nova Scotia coal producers could not sell at a lower price. The Government in power at the time did not understand this when the change was made in Item 1049 but, when it realized the consequence, it enacted Order-in-Council P.C. 2073 on August 31, 1934, retroactive to April 18, 1934, which restored the 99% drawback for by-product coke producers who used 35% of Canadian coal in making coke. It is to be remarked very carefully that the sole object of this special treatment was to increase the use of Canadian coal for coke-making by compensation in part for the remaining extra cost of production.

In the 1935 Tariff Act, this Order-in-Council was replaced by Item 1049(b) which provides for the same drawback, except that to obtain it the coke must be sold for use as fuel in other than a coke or gas plant.

The following table shows the total quantity of coal received and the quantity of Nova Scotia coal received in each year from 1931 to the present:

<u>Year</u>	<u>Total Coal Received</u>	<u>Nova Scotia Coal Received</u>
1931	383,768 Tons	37,358 Tons
1932	395,551 "	149,452 "
1933	345,699 "	67,131 "
1934	530,468 "	188,249 "
1935	509,282 "	175,669 "
1936	489,083 "	163,427 "
1937	532,274 "	171,490 "
1938	504,622 "	171,222 "
1939	527,669 "	182,698 "
1940	513,337 "	177,524 "
1941	540,169 "	146,368 "
1942	577,382 "	30,952 "
1943	559,442 "	N o n e
1944	561,591 "	N o n e

BY MR. MUNROE - I would like to remark on those figures a little bit. You will notice first a substantial amount was in 1931. That was at the time of a trial. It worked so well that in 1932 it went on on a big scale. In 1933 the big quantity was caused by a reduction in the whole plant operation, not by reduction in the relative amount. From then on to 1945 we used as much as we could get hold of.

BY COMMISSIONER McLAURIN - Did you use 149,452 tons in 1932 without any aid at all? That was under P.C. 944, was it?

A. That aid went to the operators.

Q. They must have given you a price?

A. They gave us a price, but I don't know whether they did that business at a loss or not.

Q. What you paid for the coal in 1932, you had the same price in 1933 and 1934?

A. I assume so. It was a straight commercial transaction.

Q. I appreciate that the aid goes to the operator. But now the

tariff situation with respect to drawback is exactly the same today as it was in 1925?

A. No.

Q. Except as to the exception of not being used in a coke or gas plant?

A. No, the drawback was only 50% for those who didn't use 35% Canadian coal; 99% for those who do; they got special treatment. 50% for those who don't.

Q. Are you using 35% Canadian coal?

A. At the moment, no, because we can't get it.. We did right up until the coal supply fooled us.

Q. What about Hamilton? I am thinking of other by-product coke plants. Hamilton would be on the 50% drawback?

A. That is right. That was a by-produce plant for which this original Item 1049 providing 99% was specially made, because Ontario in that acute fuel area was suffering, and those who built the plant said we will build one if we can have free coal, or substantially free, which came from nearby American fields.

Q. And now they only have 50%?

A. Yes.

BY THE CHAIRMAN - That drawback is rather an unfair competition with American anthracite, is it not?

A. I would not like to answer that. The practical effect of it, and the only reason it still remains, was to encourage use of Nova Scotia coal, and you can see for yourself that it did very well because in that period I would say there were pretty nearly two million tons used that would not have been used otherwise.

BY COMMISSIONER McLURIN - What are the defects in the Nova Scotia coal?

A. Well if I can finish reading my brief first, we can then talk about that.

MR. MUNROE continues brief.

We were so well satisfied with this arrangement and with its permanence that in 1937, Keystone Transports Limited, in which this Company has a 49% interest, and to which we are under

contract for the haulage of all our coal, bought six additional vessels with the primary object of being able to take care of our Nova Scotia purchases.

BY MR. MUNROE - We had then 7 vessels, which was enough to bring our coal from Lake Ontario to Lake Erie, and of course the trip to Nova Scotia is a good deal longer, and we had an opportunity to buy those vessels, and we did it for that reason.

MR. MUNROE continues brief

It will be noted from the above table that in 1941 we failed to receive as much Nova Scotia coal as in the previous years because Dominion Coal Company was unable to supply the amount we had contracted for.

In 1942, shipments were started but at a very slow and unsatisfactory rate and they finally ceased altogether when submarines became active in the Gulf of St. Lawrence,

BY MR. MUNROE - We were having a vessel take as much as 30 days for a round trip, which of course was out of the question.

MR. MUNROE continues brief

They have not yet been resumed although each year since 1942 we have offered to purchase not less than 175,000 tons of Nova Scotia coal of the quality previously supplied us. Each year we have been informed by the Dominion Steel & Coal Corporation Limited that it would be impossible for them to ship us any coal. We are, as yet, without information as to whether they will be in a position to do so in the near future.

BY THE CHAIRMAN - Did they provide American coal for you in your work at Montreal, to take the place of what they were to supply?

A. No, we always bought some anyhow, and it was a simple matter to buy more; that is, as simple as any coal buying is.

Q. You know what I have reference to, that they did make arrangements with American companies?

A. Yes, I know what you mean. Nothing like that as far as we are concerned.

MR. MUNROE continues brief

It must be added that we do not think that 35% of Nova Scotia coal is necessarily all that we could use in making domestic coke (and selling it) as in fact, we have actually used more than 40% and perhaps could use even more, of the specified quality. We understand, however, that the quantities we purchased in the years 1934 to 1941 were all that were available.

BY MR. MUNROE - I don't give that for an actual fact, but I believe that is so.

MR. MUNROE continues brief.

Whether or not there are other mines than Princess or Waterford No. 12 which could produce coal that could be suitably prepared for our use we, of course, do not know of our own knowledge but we understand from the Dominion Steel & Coal Corporation that there are none.

BY MR. MUNROE - I have here something which I would be very glad to give you if it would be of any use to you. It is a brief about coal and coke tariffs which I prepared in 1937 for the Tariff Board, and incidentally it is quite a complete discussion of coke.

Q. That is as to the quality of coal that you have to have and where you have to get it? In other words it answers this whole question?

1. Yes. Tells the whole history.

2. Probably that is the best way to have it?

1. Yes.

BY THE CHAIRMAN - In the legislation I think of 1937 regarding the assistance to be given to Coke companies on the supposition at least, or perhaps more than supposition, that they would have to use 70% Canadian coal.

A. That was known as the Domestic Fuel Act. You will find a full discussion of that on page 5 of the book I have just handed you.

1. The creators of that Act must have had some technical advice

on the quality..

A. No, I can tell you the whole history of that. I don't think they had any technical advice. It was answered by the then President of the British Empire Steel, Mr. Roy Wolvin, and Mr. Stanley Elkin, and a man named Doty who was President of the Foundation Company of New York, and they figured if they got aid to 5% of the Capital Cost, that they would build the plants and sell a lot of coke anyway. How they were going to sell the coke is unknown to me, but they evidently thought they could.

Q. I suppose they thought they would take a chance and create a market.

A. At any rate when our plant was built that Act was still in force. We spent, besides at St. Anne's, considerably over five million dollars, so a 5% subsidy on that annually for 20 years would have been over \$250,000 a year, or \$1.00 per ton on the coke we were going to produce, and you can be sure we were not going to turn that down lightly. We did because we thought it was not feasible.

BY COMMISSIONER McLAURIN - 4%. 5% for a Municipally owned plant.

A. I think you are right. Now it was an awful lot of money and we didn't turn it down lightly I assure you.

BY THE CHAIRMAN - Were there three companies in Canada that took advantage of that?

A. Halifax, Quebec, Winnipeg and Vancouver.

Q. They are all doing well?

A. I think only Halifax, Quebec and Vancouver, and the aid, I understand, will run out, and has been discontinued in two out of the three, and will run out in the third plant.

BY COMMISSIONER McLAURIN - In 1946, I think.

BY THE CHAIRMAN - It will look after the capital expenditure.

A. That is what it amounted to. If they used less than 50% they got nothing.

BY COMMISSIONER McLAURIN - This Quebec plant can't be using any now?

A. It is only 35,000 tons a year altogether. It is of no importance. Halifax is kind of stretching it to call those things coke ovens that they have there, but they have qualified. Kind of a home built affair.

BY MR. FRAWLEY - You were going to tell us why 100% Canadian coal could not be used in your plant?

BY COMMISSIONER McLAURIN - He says it is all in this submission which he made to the Tariff Board, and it tells us all about the qualities of coke, and why they have to use American coal.

BY MR. MUNROE - If we had more coal of the quality we were furnished, I am satisfied we could go further, but the coal we got was only 3% ash. When we mix it with other coals the whole amount of ash is small, so it does not matter if it clinkers if you have a good enough quality of coal to start with. The Russian anthracite which many considered to be the finest in the world had a very low fusion point of ash; the ash all melted up into little balls and fell through the grates. If that had been 10% ash maybe it would have spread all over the grates. There is no reason why the Nova Scotia coal cannot be used, but you have to know how to do it.

BY MR. FRAWLEY - You have now a duty of \$1.00 a ton on coke from the United States?

A. Yes.

Q. The American Koppers Company are their subsidiaries interested in the operation of mines in the United States?

A. Yes.

Q. All bituminous, I believe?

A. Yes. I might say that that connection is now I think broken, or will be, because they have to divest themselves of certain properties on account of the holding income.

Q. Why did you find it more economical to stay by Keystone transports rather than use chartered vessels as Dosco does?

A. Keystone existed before we did, and was owned by Montreal Light, and they put it up in the first place to insure their coal supply.

BY COMMISSIONER McLaurin - You are interested in making coke, not transporting coal?

A. Yes.

BY MR. FRAWLEY - What was the purpose of this brief in 1937? There was a reference number?

A. It arose out of some complaint by merchants in Windsor that they were paying outrageous prices for coke and a lot of other things, among them that Ontario manufacturers of coke didn't make any attempt to supply their needs, and so on. It is all in there. Mr. Dunning was Minister at that time, I think, and he decided that all these questions of drawbacks on coal etc., he decided to make a reference of the whole business. Most of those questions are dealt with in here in one way or another.

Q. You were justifying the continuance of the existing state of affairs?

BY COMMISSIONER McLaurin - You were protecting your \$1.00 a ton duty on coke?

A. That was not quite the main thing. Our main desire was not to see our drawback interfered with, as it was liable to stir up the Nova Scotia coal business again. We had come to such a happy solution and everyone there was satisfied that we were using all we could, and we felt that after enjoying it for so many years that we were quite happy to have it that way. We had a satisfactory solution, so that that as far as we were concerned was out of Nova Scotia politics. It soothed Harrington, and Angus McDonald, and I was quite happy.

BY THE CHAIRMAN - It was too bad the Dominion Coal Company didn't advise its miners that the arrangement was satisfactory.

A. I would rather leave that.

BY THE CHAIRMAN - I want to make that statement for the record because up until last January we were told by the Assistant to the General Manager of the Dominion Steel & Coal that they could supply coal which would make a first class coke.

BY MR. FRAWLEY - The most you are able to tell us is that you

have no information as to whether the Nova Scotia Company will be able to supply you with any more of this coal?

A. Oh no.

Q. And it may be that no more Nova Scotia coal will come to your plant?

A. I gather that those two mines are their best, and it is not their problem to sell their best coal, but some of their poorer grades. And that is quite out of the question for us, because some of them would burst into flames in a few days. At the end of November we have seven months of coal supply on the ground piled 30 ft. high, which means 290,000 tons, and if coal is damaged you can't make good coke out of it.

BY COMMISSIONER McLAURIN - You always have a problem of combustion with any quality coal?

A. Yes, we always have.

12:00 Noon - HEARING ADJOURNED UNTIL 2:15 P.M.

2:15 P.M. HEARING RE-CONVENED

BY MR. FRAWLEY - I would like to make clear the information that I was guessing at this morning, because I didn't have my files with me. I was speaking of the movement of Nova Scotia Coal to International Nickel in 1939. Mr. Neate advised me under date of 5th March of this year that a total of \$772,831.02 was paid under the authority of various orders-in-Council and at various rates on 579,488.44 tons.

BY THE CHAIRMAN - That included only subventions?

BY MR. FRAWLEY - Yes, and excluded the taxes. Now there is something else in Mr. Neate's memorandum because he refers to a tonnage of a lesser amount, of only some four hundred odd thousand tons, and I intend to take that further up with him, but clearly he advised me that he paid \$722,831.02 for coal in that year, and it certainly appears that that was paid on a tonnage of 579,488.44.

DR. H. E. BECKER - EXAMINED BY MR. FRAWLEY

Q. Dr. Becker you have a brief which is in the form of a letter written to the Commission and signed H. E. Becker, Executive Vice-President of Standard Coal Mining & Converters Corporation, 100 West Munroe St., Chicago, Ill.

A. Yes.

Q. This will be marked Exhibit 233. Perhaps you might take a minute or so to qualify yourself and tell us something about the business of Standard Coal Miners & Converters Corporation.

Exhibit No. 233 - Brief of Standard Coal Mining
& Converters Corporation.

DR. BECKER - Well I have been listening here this morning to various other explanations and I may amend my brief a little later on on account of conditions which were discussed in connection with these subventions, and conditions of coal in Nova Scotia, which I also know very well. The Standard Coal Mining & Converters Corporation is one of the largest mines in our opinion on the American continent; the property of Standard Coal Company of Indiana. We have about 23,000 acres of crude oil which is an equivalent on a 55% quality basis of 150,000 million tons of coal. Our lay out is quite modern and very much up-to-date. As far as the Canadian market is concerned we supply railway coal only.

Q. Where is this mine?

A. 32 miles south of Springfield, Illinois.

BY COMMISSIONER McLAURIN - Is Standard Coal Mining Company the owner of it?

A. Yes.

Q. Standard Coal Mining & Converters Corporation?

A. Yes.

Q. What is your annual production?

A. It has been idle about 18 years. It is a virgin mine. Our present production is approximately about fifteen to twenty thousand tons per month.

Q. When did you start to operate? You say it has been idle for

eighteen years?

A. We started about two years ago.

Q. And for the last two years you have been producing 15,000 tons a month?

A. Two hundred tons per day up until we reached that figure.

Q. You have given us 15,000 tons a month. How long have you been mining that?

A. For the last three months.

Q. What is your production for 1945 up to date?

A. I have not those figures on hand.

Q. Approximately?

A. Well it may be in the neighborhood of 100,000 to 120,000 tons.

Q. What about 1944?

A. I don't think it exceeded about maybe in the neighborhood of 20,000 or 25,000 tons.

EKM. BY MR. FRAWLEY (continued)

Q. What district are you in?

A. District No. 10 officially, but our coal is seam No. 6.

Q. Have you been shipping some railway coal into Canada?

A. Exclusively.

Q. And you are doing that right now, are you?

A. Yes.

Q. Then let us have this brief on the Onakawana Lignite Fields.

A. Do you want me to read the entire brief?

Q. Yes, the entire letter which constitutes your brief.

Q. This letter of September 27th, 1945?

A. Yes, that is what we regard as your submission, and is what constitutes your brief.

DR. BECKER then read Exhibit 233, as follows:

We are presenting hereby to your Commission a brief in connection with the importance of the development of the Onakawana Lignite Fields in the interests of the Dominion of Canada as a whole, and especially of the Province of Ontario.

For a proper study of the entire situation it will

be most essential that facts should be given to your Commission as to the coal situation in Canada and Ontario in general and also a complete history in connection with the process for the conversion of lignite into marketable fuel.

A. History and Date in Connection with
Negotiations Regarding Onakawana Lignite
Fields Between the Undersigned and the
Ontario Government.

In 1935 it was brought to the writer's and associate corporation's attention that the Ontario Government had considerable deposits of lignite in the northern part of that Province. At that time a thorough investigation was made by the writer and associates, in order to establish the existence of the said deposits and to find out something about their characteristics. To begin with, we were informed by the Ontario Government that the existence of the deposits was verified repeatedly, and that considerable expense had been gone to for such purposes. At the same time it was also called to our attention that each and every endeavor of the Ontario Government, its associated research foundation, and other attempts financed by the said Government, resulted in complete failure. This was on account of the fact that no process was ever developed or could be found which would economically and to good advantage be applicable to the lignite in question. We informed the Ontario Government at that time that we were completely posted on all developments in connection with Lignite and also had complete details in regard to any and all of their endeavors, trials and attempts to use similar processes which originated in Germany and also were completely familiar with work of a like nature which was carried on in the U. S. A. Department of the Interior.

After brief negotiations, the Ontario Government decided to call a meeting in Toronto and in order to establish the value of our process, the Chief Engineer of the smelters, Mr. Cole, was appointed to attend the meeting. Present were also representatives of the Dept. of Mines and other experienced engineers and investigators of the Ontario Government and private

companies for this important meeting.

At that time we brought with us complete technical data and also exhibited samples of semi-anthracite coal which was made in one of our private plants from lignite samples which were taken from the Onakawana fields. This proof was definitely established.

The results of this conference and recommendations undoubtedly were transmitted to the then Prime Minister Hepburn and his cabinet.

We were informed that the Ontario Government and the Dept. of Mines at that time had arrived at the definite conclusion that we had the only process so far capable of commercially economically and successfully converting Onakawana lignite into a marketable fuel for Canada and also for export requirements.

We attach hereto photostatic copies of various newspaper publications verifying these facts and it may be of interest to know that all these statements came direct from the Government or from Prime Minister Hepburn, and from no other sources.

At that time a special meeting of the Cabinet was called in order to entertain a proposal of our group whereby we would lease the mining rights of the above fields against payment of a certain royalty, details of which are all well-known today. We were more or less assured that either a special Order-in-Council would be passed, or arrangements would be made whereby we could lease these fields and therefore establish a new and important industry in the Dominion, and furthermore also allow the Ontario Government from them further expending funds without obtaining results of any kind. We were then informed by the Department of Mines that the Ontario Government had quite often issued leases on other mineral rights, but this would be the first time in their history that a lease would be prepared for leasing of coal mining rights. We furnished them at that time a copy of another lease from a different Province in the Dominion (from the Honorable Minister of Mines for Nova Scotia at that time) in order that

the Ontario Government might use same as a sample.

An interval of a few months elapsed and we heard nothing else from the Ontario Government after that time. All sources had been tried and there was no other source available than the National Research Council in Ottawa. The Government in Ontario decided instead to make another attempt, which, however, also proved to be useless, in order to solve the problem of the conversion of lignite.

Since that time the Ontario Government under Mr. Hepburn made additional attempts and none of them was successful. Additional information can be gained from the photostatic copies of newspaper clippings forming part of this presentation.

Later we again endeavored to contact the Ontario Government, but never, or seldom, received a reply to our representatives in Toronto. For that reason we discontinued any further attempts in regard to the subject matter.

A few weeks ago the matter of lignite again was brought into the limelight, and we appointed Messrs. Menzies in Toronto as our sole agent for the purpose of pursuing this matter with the Ontario Government, and which is now headed by the Honorable Prime Minister G. A. Drew.

We should not fail to mention that we had no negotiations with the present Ontario Government under Col. Drew and that his Government simply inherited the entire matter from the previous Government under Prime Minister Hepburn. Therefore, the present Government is new in the picture and has no other evidence or material to work from except such data and facts as may be contained in their files.

B. Conversion of Lignite.

We are attaching hereto Exhibit "A" which is a copy of memorandum which was submitted to the Ontario Government on various occasions, either in the form of the attached copy or in the form of a revised issue. This explanation renders in condensed form complete details and data relevant to the entire problem of

the conversion of lignite so that any additional explanations need not be given here.

At this time it should also be of interest to note that in all the statements made to the newspapers and which were originated by the former Ontario Government or came direct from the office of the former Prime Minister Hepburn, there were incorrect in some instances.

We would like particularly to refer to the "German" process. All the processes which were applied without success by the Ontario Government and other sources were developed and completed in Germany. However, the process used by this Company, which always has been the subject of the entire issue, was developed on this continent without any assistance or co-operation from Germany at all.

Upon the suggestion of the Hepburn Government we left with the Chairman of the T & NO R.R., A. H. Cavanagh, and his engineers, details in connection with the use of pulverized lignite as locomotive fuel for their railroads. Our suggestion at that time concerned that we would install specially designed spray burners on T & NO locomotives for trial purposes. We never received the courtesy of the return of our material and it was claimed by the management of the T & NO RR that such data was never received, notwithstanding the fact that it was actually submitted. The said railroad endeavored to exploit this development of this company and associates, but was not successful in that regard. This led the succeeding Chairman, Col. Malcolm Lang, to come to the conclusion that the Onakawana fields could be used as a source of locomotive fuels for the T & NO RR. For that reason it must also be stated that the assumption of the Hepburn Government and the T & NO RR are completely incorrect, and therefore the Onakawana lignite fields in their present form or even in connection with using raw lignite for spray burner purposes in connection with locomotive fuel are of no value of any kind to the Ontario Government or to the Railroad itself. We refer particularly to the publication of April 9th, 1944,

The Toronto Daily Star and other similar publications which we have not cared to collect for our files. The last sentence of the above publication is respectfully called to your attention and we would like to add that this sentence about describes the entire facts in regard to lignite deposits at that time and up to date.

The Ontario Government under Prime Minister Hepburn repeatedly issued statements to the Canadian Press and especially Toronto papers that the lignite deposits might be used for the production of gasoline. This is not only incorrect, but basically a misrepresentation of facts. No gasoline can be made from lignite at all. However, light benzine or benzine perhaps might be made, and such fuel under present market conditions and for the future has no practical value of any kind.

C. Mining and Conversion of Lignite Coal.

The coal trade and the coal market is very old and well established. By that we mean that any coal or fuel which has to be produced by a conversion process must immediately be adaptable to commercial and domestic requirements of consumers. This not only applies to quality, structure and size, but also, of course, as to properties of long storage, and naturally to market price. In other words, it cannot be expected from an industry or a market so long in existence as the above-named, to scrap the entire equipment of all consumers, just because a new process has been found. This is a very important reason which we particularly wish to stress with your Commission.

In that connection, we would like to explain briefly why any other processes for treatment of lignite would be unsuccessful. All such processes, and that includes all of them tested and tried by the Ontario Government, either call for carbonization, distillation, drying or briquetting, of such fuel. So far as briquetting is concerned, we would like to say that this has been tried quite often in connection with better coal, such as bituminous and mixtures thereof with anthracite. In each of

these cases marketing is extremely difficult and furthermore, market prices are far too high for the final product for actual consumption. Its uses are also extremely limited and must be of course for domestic purposes.

In our process which is continuous, we produce coal in all sizes exactly like standard sizes which now are on the market and have been for a great number of years. In other words, the raw lignite when entering our conversion plant, for instance in egg size, will be delivered in its improved or converted form in egg size also.

Another important factor is the mining of the raw material itself. In order to compete with present day market conditions and also in the future, an extremely cheap mining method had to be devised in order to enable the conversion process and the mining of lignite to sustain its market against competitive sources all of which are extremely keen and will be more so in the future.

We have developed a new type of automatic overburden remover known as our Autodredge. This machine was especially developed for the cheap removal of overburden and especially in connection with our proposed development in your Onakawana fields. Details were also submitted to the Ontario Government.

At this time we also will not fail to mention that similar to the instances in which we suggested lignite in connection with spray burners to the T & NO RR, our suggestions and design of this machine after a period of about eight years, all of a sudden appeared in the U. S. by a competitor of ours. This machine was built without our consent and has proved to be an exact copy of our development. While we do not have any fears from a patent or priority point of view, we nevertheless are greatly disappointed to witness a second instance of details which we related to the Government in confidence, having, in some way or another, found their way back to the U. S. and obviously were given to our competitors without respecting in any way our priority

rights or heavy expense in development work involved in such research work. In our opinion, such confidential matters should be kept in that form and on account of these two experiences which were costly to our company, we have refrained from supplying any further information in regard to the process itself to the Ontario Government. This also prompted us to apply for U. S. patent protection in order to secure our rights and exclusive ownership.

The automatic overburden remover is of utmost importance in a project of this type because the price of the final product naturally depends to a great extent on the mining cost of the raw material which is the supply source for the conversion plant.

SUMMARY

In our opinion the Government of Ontario should not enter into the mining field and compete against its own tax payers. In addition to that, since numerous attempts in connection with improvement of lignite have failed completely, no further waste of public funds should be permitted. It should also be considered in this instance that other provinces in the Dominion have spent considerable time and money in order to find a solution for their lignite deposits, such as in Saskatchewan, Alberta, as well as in the United States, as in North and South Dakota.

The opening up of the Onakawana Lignite fields will in no way hamper development or influence in any form any other existing mining company in the Dominion or in the U.S.A. The output of a large conversion plant will not be sufficient at any time to endanger any other mining company competing on the open market in the future.

The establishment of such a new mine necessarily will automatically induce the establishment of other coal consuming industries in that vicinity and such industries undoubtedly will be of a type or character manufacturing new items or such products which were heretofore not manufactured.

The Government owned T & NO RR would also have access to high grade low cost fuel and also could increase its revenue on account of additional tonnage to be carried, as well, to the coal consuming centres such as Toronto, North Bay and beyond. In addition, employment could be provided for a great number of people who otherwise could not be taken care of and the revenue of the T & NO RR could be increased to a point where it actually would be put on a well paying basis.

In addition thereto, the Ontario Government has been offered and would receive a royalty as an additional source of revenue either from raw material which is being mined or from the finished product.

In the Dominion of Canada there has always been a lack of adequate fuel supply and a great deal has always been imported. The establishment of such a mining enterprise would hardly affect any of the relations maintained with the U. S. A. in regard to importation of bituminous coal and anthracite, because it will require a great number of years before the output of such a mine as contemplated at the Onakawana fields would ever be in position to take any trade away from other sources. If the output of about 600 tons per day as originally contemplated would be used for starting operations, this would only mean, with approximately 300 working days, an annual output of 180,000 tons.

The consumption of the Province of Ontario alone is in the neighborhood of 10,000,000 tons so that such capacity of the conversion plant would mean approximately 2% of the entire requirements of that Province. If it is taken into consideration that coal from the conversion plant is shipped to other consumers the entire effect of such conversion plant on the coal market in the Dominion would drop to a figure of a very small fraction of 1%.

Assuming that after one or two years operation the above capacity might be doubled, it must be admitted that no adverse effect of any kind will result on the problem of importing coal from the U.S.A. or on Canadian coal miners.

We have no intention in any shape, manner or form of

making any additional offer to the Government of Ontario or to the Dominion except an offer along the lines submitted by us to the present Prime Minister, the Hon. Col. G. S. Drew.

As a matter of fairness, it will also be required that any lands which may not be leased immediately on such a setup, should be offered to the original developers, or our company and associates on an exclusive option under standard terms and conditions for the remainder of the fields. We have no intention of doing all the pioneering work and going to a great deal of expense and then some day at a later date have the Ontario Government competing against us right next door. This would not be fair to the development, the originators, or to the entire project as a whole. We do not ask for any other concessions or financial assistance from the Government or the Dominion. The only exception would be if at any time either Federal or Provincial Governments should extend subsidies for coal miners, subsidies for freight reduction purposes, etc., to any other mining concerns, then the operators of the mining concession and conversion plants in the Onakawana fields of course should be granted the same concession. We also will not be willing to license our processes and developments to any other concern. However, we would have no objection to licensing them to a privately organized party or wholly owned subsidiary formed for the sole purpose of operating the Onakawana lignite fields. Our policy should be quite obvious from these statements. We have invested in excess of several hundred thousand dollars today in the development and perfection of our lignite converters and have been put continually to considerable additional expense by the Ontario Government and other related sources under Prime Minister Hepburn, for which we have never received anything in return. We are not asking for compensation of any kind in that connection. We want to be absolutely certain that if and when our developments are exploited in the Onakawana fields that we will be in position to obtain an adequate return from our invest-

ment and also have the possibility of retaining complete control of the processes involved both in connection with conversion and also with mining through the facilities of our Auto Dredge.

It is also contemplated that we establish our own facilities for generating of power where raw lignite will be used in order to supply the necessary energy for the operation of such a field. Especially adapted spreader type stokers will be used under our boilers and the reason for generating our own power is, of course, to be independent of the hydro power commission, especially since the current characteristics of 25 cycles is not suitable for equipment which we expect to use in the event that we should be favored with the contents of the Onakawana fields.

It should be kept foremost in mind that the Ontario Government and taxpayers will be the chief beneficiaries of such an enterprise, wherein we, the originators and the operators will have to overcome considerable difficulties and handicaps during the early period of operation, and it may require a great number of years before satisfactory returns or small profits can be expected.

In view of the above, we apply to your Commission to recommend to the Ontario Government the leasing of the Onakawana lignite fields for the purpose set forth herein to this company or to our duly authorized representatives and associates for the sole purpose of mining and converting lignite from that source of distribution in the Dominion of Canada, and if possible at some later date for export purposes. It is contemplated that the undersigned will appear before your Commission on Oct. 3rd, 1945, as requested, and at that time we will be very glad indeed to supply any additional information your Commission desires or to answer any and all questions under cross-examination by your Commission Counsel.

We sincerely believe that the appointment of your Commission for the investigation of coal and marketing conditions

in the Dominion has been of the utmost importance to Canada, and the possible conclusion of the Onakawana lignite project undoubtedly will be of greatest value to the Dominion and could represent a finding which will well warrant your Commission's interest in the details, as set forth, of the Onakawana Lignite matter for the benefit of all concerned.

If your Commission feels that additional information will be required before going ahead and reaching a final conclusion, we will be wide open for recommendations from your Commission at any time, and will gladly supply additional information which you desire, provided that same is within the scope of the possibility of release.

All the above is respectfully submitted for consideration by your Commission.

(sgd) STANDARD COAL MINING & CONVERTERS CORPORATION,

Dr. H. E. Becker

Executive Vice President.

EXHIBIT "A"

The perfection of the Becker Researchco (B.R.) Process represents the final solution of improving lignite to a type of coal which in quality, properties, and in all other respects is absolutely equal to the standard types of coals now on the market and which can be used as an absolutely equal substitute for anthracite, bituminous coal and coke.

INTRODUCTION:

The German government together with brown coal experts have during the last fifteen years spent millions of dollars for development and research for the purpose of solving the national problem of economics consisting in the utilization of brown coal and low grade domestic fuel hitherto disregarded. The governments of U.S.A. and Saskatchewan have spent almost 3 million dollars for a similar purpose as referred to above, while the government of Ontario have contributed more than \$500,000 for research in connection with lignite.

The several papers and basic reports on findings and analysis in Germany, Ontario, Saskatchewan, North Dakota, and Australia were of great assistance in the development of the B.R. Process. The disadvantages of forerunners of this process have been studiously avoided, whereas their valuable features were carefully considered and used to advantage.

While perusing this report, it is advisable to keep in mind established facts and definite findings so as to comprehend the full value of the B.R. Process. The deposits of inferior coal in Germany are so-called "Braunkohlen", which in literal translation means "brown coal" or "lignite". It is an established fact that Canadian coal, the subject of this report, is entirely different from the coal in question in Germany and other European countries. The important discovery of these important differences in structure, characteristics, and physical properties led to the radical and entirely novel

design of the equipment of the B.R. Process. For the definite establishment of this difference, low grade German coals are in the following designated by the term "brown coal", while the Canadian deposits are exclusively referred to as "lignite". Therefore, lignite deposits are found only in Canada, the United States and Australia, whereas in Germany, Austria, and other European countries only brown coals are to be found, but no lignite.

In consideration of the foregoing, it must be understood that lignite requires entirely different treatment as compared with brown coal, while the mining operations for all these types of inferior coals are practically identical.

HISTORY:

The extensive and profitable use of lignite in Canada has, until recently, been a perplexing and aggravating problem. The fact that it usually lies so near the surface and, hence, so easily accessible, created an annoying problem insofar as it lay there for the taking, but no method had been discovered whereby it could be utilized commercially.

It was only in the year 1914 that Germany, with its previous fuel supply from England cut off, began a thorough investigation of its inferior coals and the possibility of using them on a large scale. A national policy was introduced to exploit German brown coal to the utmost for the purpose of becoming independent of foreign supplies.

One of the later motivating factors for the Government's keen interest in developing its inferior coals was that, during the years 1918 - 1920, the Government had taken over all municipal and privately owned power plants and created a State monopoly of power. Since most of these power plants were steam-electric, the sources of fuel supply, almost exclusively brown coal, were also taken over by the State, and the development of this fuel supply became essential to the proper maintenance of the national power plants.

The writer was employed as plant engineer of the German State Power Supply Corporation and supervised the erection of the first huge power plant on top of a brown coal field. This was probably one of the first power plants fed exclusively by brown coal. The power plant was connected with the mine by a suspension mining railway. The boiler equipment functioned perfectly, but the inexperience with brown coal at that time created certain problems which had to be eradicated. From that time on numerous experiments were carried out and various systems employed for treating brown coal.

Several processes were tried, amongst them the following:

1) The Process of Liquefaction of I. G. Farben Industrie (German Dyestuff Corp.), Hoechts-on-Main. This process treated raw brown coal under tremendous pressure in hermetically sealed steel cartridges for the purpose of obtaining a liquid fuel. While the resulting fuel was excellent, the enormous cost led to the abandonment of this system.

2) Roasting Process, introduced by the Deutsche Gesellschaft fuer Mineraloelforschung under the chairmanship of Professor Ubbelohde. This process transformed brown coal into oil. The problem at that time was the abundance of coke left as a residue. Oddly enough, what was then considered a great disadvantage led, some years later, to the discovery of the best possible commercial use for brown coal. In 1929, the boiler plant of the Grube Etteritz-Leopold was put into operation and is working up to date without interruption. The brown coal in its raw state is put through a special process of "Schwelen" (roasting) and the hot coke is fed to the boilers. This use of brown coal is the forerunner of the now famous "B. R. Process" for lignite which is described more fully hereunder.

3) Process of Hydration. This process was perfected a few years ago and is kept in complete secrecy by the German Government.

4) "Schwel" Process of the Leuna Werke. This process was used principally for the extraction of mineral oil, the recovery of sulphur, and the production of nitrogen.

5) The Process of Lurgi, Frankfort-on-Main. This is a highly developed process for the carbonization of brown coal, but was never adopted for general use because it is not a paying proposition.

6) The K.V.G. Process. This process is unsuitable for lignite, as it uses very expensive and highly developed equipment and serves only for the distillation of brown coal, especially of the "mouldy" kind. Plants and process are well known to me, but notwithstanding their undoubted high class value to science, they are principally not suited for lignite. The briquette-making process also does not represent a solution of the problem.

7) Fleissner Process. Another process for brown coal and perhaps lignite is the Fleissner Process. This might have a chance for success if it was not for the fact that the amount of improved raw material in comparison with the relatively high grade and very expensive equipment is insufficient in volume. To operate such a plant on a paying basis, the crucial question is the question of pressure. It is doubtful that the process has serious prospects as to economic and commercial results when operated with pressures higher than 45-60 lbs. p.sq.in., especially as the drying effect obtained with such low pressures is imperfect. My collaborators conducted drying tests based upon the Fleissner process and it was established that Canadian and U.S.A. lignites require pressures ranging from 300 - 400 lbs. p.sq.in. if a slight improvement is to be obtained. Samples of lignite treated by the Fleissner process have shown that even the improved coal partly disintegrates to a similar extent as in the case of other distillation processes.

The final chapters of utilization of lignite are dealt with below. Conditions in Canada, in Ontario as well as especially in the western provinces, are entirely different

from German conditions. For example, brown coal, lignite, and other low grade coal in Germany, the U.S.S.R., and Australia, whenever used in their raw or partly improved state, are consumed in close proximity to the mines, i.e. in the case of use for generating steam or electricity. In countries where these coals are sold for domestic purposes, the customers are absorbing the output of each mine within the immediate neighborhood, because within a radius of about 50 miles in other countries, the density of population and industry has figures as they hold good for the whole of Canada. Moreover, all consumers of these types of inferior coal are equipped for this class of fuel since decades. Transportation of coal over distances from 500 - 600 miles, and sometimes 1000 miles would mean, for instance for Germany, an impossibility or a railroad haul from boundary to boundary.

Here in Canada, altogether different conditions have to be considered. It is therefore essential that a careful study be made of the local conditions in each and every instance should any of the methods enumerated below be considered.

The B.R. Process, as can be clearly seen by the details given hereunder, represents the final and best solution for Canadian lignite. The reasons are very clear. Ontario, for example, has no coal mines and imports its whole requirements. On the other hand, Ontario also has the largest and most important consumers of coal. Welsh or Scotch anthracite cost about \$2.50 to \$3.00 f.o.b. England, and sell at \$12.00 in Quebec, \$14.50 in Montreal, \$16.00 in Toronto, and farther west as high as \$24.00 to \$30.00. The difference in price is due to freight and handling charges. In the case of coals imported from the U.S.A., circumstances are similar. For instance, a well known Ontario railway buys lump coal at \$1.80, to which consumption charges and freight for a long haul add almost 300%, thus resulting in a laid down price of \$6.85 at the bunkering places.

Under Canadian conditions, the question of utilizing lignite so as to make it a commercial and paying proposition depends on the following points.

1) To reduce freight charges, the Canadian lignite must be improved to at least the B.T.U. value of anthracite or bituminous coal, i.e. an average of 12,500 B.T.U. In volume, the improved coal is approximately equal to the volume of the other standard fuels. This was the exclusive aim of all research in Canada which regrettably did not lead to earlier success, whereas success is now established inasmuch as the B.R. Process represents the final solution to Canada's lignite problem.

2) The improved coal must be stable and impervious to weather conditions, as Canadian conditions very often require storage over long periods of time, for instance, transport by water in spring and summer for storage for the coming winter.

3) The improved coal must be cheaper than the others now in use and any type of present equipment must be usable without any changes whatsoever. In other words, the new Canadian coal must be a 100% substitute for all imported high grade coals, whereas in such sections of the country where the development of new industries was handicapped due to lack of cheap industrial coal, this development must now be encouraged and made possible through the new national coal.

4) Obviously, additional large scale employment will be created by using Canadian miners for the new mines, Canadians as crews for the new improvement plants, Canadian labour and raw materials for the manufacture of the equipment of the improvement plants. All the foregoing items in turn will permit higher profits and revenues for the railways, less burden for the Government, and after all, the establishment of such new industries for the manufacture of goods as heretofore imported which was not possible before on account of the lack of cheap high grade coal.

Whereas certain conditions may warrant the application of other methods for the utilization of Canadian lignite, the following ways of usage alongside with the operation of the mines for the B.R. Improvement Plant will cover all possibilities.

- (A) Utilization of raw lignite without any treatment whatsoever;
- (B) Utilization of raw lignite slightly improved in value by means of artificial drying;
- (C) Utilization of raw lignite for locomotives only;
- (D) Utilization of lignite for the production of benzine.

The first process ever discovered which combines all the results sought, is the process known as the B.R. Process. It is the first process developed which makes possible the exploitation of lignite fields on a large scale and on a commercial and profitable basis.

THE B.R. PROCESS

This process yields from raw lignite a solid, domestic and industrial fuel equal in every respect to anthracite. This process is the ultimate result of the research work and experiments hereinabove related. The general working advantages of this process are:

- (a) That the unwholesome and injurious ballast products of imperfect coal (such as lignite) namely, water, oxygen, ash, etc., are removed, leaving the thermal qualities of the coal intact and materially improved, the latter by means of amalgamating valuable elements (as hydrogen with carbon), and to refine the product;
- (b) The unstable coal becomes stable under any weather conditions;
- (c) The stability is durable and the coal can be stored for many months, and even years, without loss of combustible properties;

(d) The coal burns regularly without smoke and completely, and the calorific value of the new coal, compared with the raw material, is doubled or even tripled;

(e) The cost of production is the lowest ever achieved in this field, especially since only one operation is required for the improvement process.

The cost of production has always been the most important factor in the treatment of lignite. In reducing the cost of production to a minimum and to a highly profitable, commercial basis, the B.R. Process establishes its greatest achievement.

Unlike the carbonization process and the liquefaction method, which required costly apparatus running into millions of dollars, the B.R. Process requires equipment of comparatively negligible cost. This feature is obtained by ingenious improvement in the apparatus and the simplification of construction, and a new invention radically different from any heretofore employed.

For example, it is calculated that a B.P. Improvement or Converter Plant capable of transforming about 450 tons of raw coal a day would cost approximately 50,000 - 60,000 dollars. Furthermore, the operating cost of this process is remarkably low. Based on a lignite or low grade coal of the following qualities:

Water content.....	27%
Ash	9%
Calorific value	5800 B.T.U./lb.

the cost of one ton of the final product would be:

Operating expenses (incl. amortization, interest, etc.)	\$ 0.55 per ton
Entire raw material cost (65¢ x 1.8 loss factor)	<u>1.17</u> per ton
Production cost, f.o.b. works	\$ 1.72 per ton

These figures are calculated on normal, average conditions and for an output of the plant based on three hundred and fifty days per year.

One ton of raw material will yield about 1,100 lbs. refined highly valuable and solid product with an average calorific

value of about 12,500 B.T.U./lb. The efficiency of the refinement amounts to about 89% (loss factor 1.8). Use is made of the dust siftings from the heated materials.

The coal obtained is smokeless, does not cake, and burns with a short blue flame. Therefore it may be considered as a first class fuel which is not only suited for domestic consumption and for gasification, but also for any other purpose. Owing to these facts the sales prices are very favorable compared with anthracite which is well known for household purposes. Prices for anthracite f.o.b. works are about \$6.25 to \$9.50 per ton. Considering the small difference in the calorific value (anthracite has about 14,400 B.T.U./lb. maximum, our refined fuel about 11,500 B.T.U./lb. minimum; ratio, 1:1.25) the costs would be, when calculated on the above calorific values:

Anthracite	\$6.25 f.o.b. works
	(wholesale)
B.R. refined fuel	2.15 f.o.b. works

In order to give a short general outline of the technical details of the B.R. Process the following particulars will be of interest.

After a careful study of the problems involved and research work extending over many years, a new process is now developed in which a highly valuable product, equal in every respect to anthracite, is made economically from inferior coals as lignites, zylites, etc.

Generally the well known inferior coals are not utilized in spite of the fact that they are present in large deposits which can be mined cheaply. The reason is that they are of an inferior calorific value in their natural state and that they have the very bad quality of becoming unstable when exposed to the weather and quickly disintegrate into an amorphous and worthless powder. They not only burn with difficulty but it is also nearly impossible to get full combustion. Due to these inferior properties, the use of this kind of coal was very

limited up to the present. However, attempts, as already mentioned before, were made for bettering and improving these coals by the carbonization process., i.e. the distillation of coals to obtain intermediate products. But this method has no chance for commercial success, as carbonization plants require expensive apparatus, and this process does not yield any profit if the coal used does not give sufficiently valuable liquid products.

It, therefore, was our aim to devise a highly efficient and most economical process for the transforming of these inferior coals into a highly valuable product. This process and its apparatus are developed according to the latest views of fuel research and thermotechnic science. It combines the results of experiments and practical knowledge in such a form that with simple means the greatest efficiency is obtained. The general working principle of our process is that with the refining of lignite and other inferior fuel, the essential principle consists in exposing the fuel in the absence of air and at a temperature which is higher than that required for the drying of the fuel, to the action of reducing gases obtained by the incomplete combustion of fuel dust.

Experiments have shown that on being exposed in this manner to the action of reducing gases at a temperature which depends on the particular nature of the fuel under treatment and which may amount to about 500° C., the natural fuel will, in addition applies particularly to ligneous fuel which, owing to its contents of moisture and oxygen, is thermically and technologically of low value. A similar change in the carbon constituents takes place when it is merely heated, but in this case losses are incurred owing to self-oxidation. The process according to the present development can be carried out without substantial losses of carbon constituents. Tar and oil products will in some instances be produced but can be limited to very small quantities by careful timing of the refining process

in accordance with the nature of the raw fuel. The timing is experimentally determined. Self-oxydation cannot take place so long as the process is carried out in the absence of air.

Fuel treated in accordance with the process will be free from volatile ballast substances but will, on the contrary, contain a considerable amount of volatile combustibile constituents, the heating value of the fuel thus being greatly enhanced.

In order to carry out the process in an economic and industrially practical manner, it is advisable to produce the reducing gases by the incomplete combustion of fuel dust obtained as waste previously treated fuel. Thus a useful employment will be found for the waste which is produced in considerable quantities in mining operations and which has hitherto been looked upon as useless owing to its large admixture of ashes.

It is advisable to pass the reducing gas in counter-current through the stream of materials so as to give traces of oil carried away with the gas an opportunity to precipitate in the colder regions of the wet fuel.

The discovery of the B.R. Process has aroused considerable interest in Canada. The Government at a special meeting in its Department of Mines was provided with samples showing treatment of Ontario lignite with a number of processes mentioned in this report, as Fleissner, etc., and to show the radical difference and for comparison purposes, lignite improved with the B.R. Process was exhibited at this meeting. The newspapers have brought special articles in connection with the process during the last three months. The Standard on page 19 of the edition of April 27, 1935, gives a complete picture of the new discovery. There is a bill before the legislature and the Cabinet and we are awaiting only the decision of the Government whether they intend to exploit the lignite fields on their own account or if they will be leased to private interests. In any event,

it is understood that our process has to be applied.

In summing up, we would like to express that we are prepared to transform any samples of Canadian lignite submitted to us into semi-anthracite against very reasonable fees and I am also prepared to give more details, such as description of operating method, patent copies, and working drawings, on request against payment of fees as they are standard for consulting engineers in this country.

AMALGAMATED ENGINEERING & RESEARCH CORPORATION

Dr. Henry E. Becker, Executive Vice-President

DR. H. E. BECKER (Sworn) EXAMINED BY MR. FRAWLEY

Q. The sentence in the whole letter that strikes me most forcibly, you say you have had no negotiations with the Ontario Government?

A. No. We submitted one letter, but actual negotiations were not concluded or carried on between the present Government and ourselves.

Q. I was simply taking from what you say at the bottom of page 2 - "We should not fail to mention that we had no negotiations with the present Ontario Government under Col. Drew and that his Government simply inherited the entire matter.."

A. We inquired about it so as to find out what their intentions were. I don't suppose it should be called negotiations.

BY THE CHAIRMAN - What purpose would this reconditioned lignite be put, what would be its use?

A. It could be used for any kind of commercial or domestic purposes.

Q. As a steam fuel?

A. Absolutely, and a household fuel.

Q. I didn't understand you to say, is it lignite that you are mining at your own company?

A. No, No. 2 is bituminous, and we acquired another property

in Pennsylvania where we intend to mine anthracite.

MR. COMMISSIONER McLAURIN - You have been living in Chicago for some time?

A. About six years now, Sir.

Q. Did you ever have any interest in the sodium deposit in the Province of Saskatchewan?

A. I had no interest at all except that we tried to exploit it for the purpose of shipping it to the United States.

Q. You were interested in a company promoting it?

A. We were not promoting anything at all.

Q. You had an interest in it?

A. Consulting Engineer.

Q. And you retained people to act for you in the City of Calgary?

A. I didn't, but my associates did.

Q. And a firm of Solicitors in the City of Calgary, do you recall the name of the firm?

A. There were three firms in Calgary.

Q. Name the three?

A. R. B. Bennett's firm, and a Reid, and something and Fenerty.

Q. Ever hear of a firm of Fenerty & McLaurin there?

A. Yes.

Q. They rendered you an account for their services?

A. I don't think they ever did, Sir.

Q. I am here to tell you they did, and I signed the account. Have you ever paid it?

A. I didn't get the account.

Q. You got lots of letters written to you about the account?

A. Not that I know of.

Q. As far as you know it has never been paid?

A. As far as I know a Trust Company owned the property and we spent about \$3,000 on it, and never got reimbursed.

Q. You know what I am referring to. I am not going to say anything else. If you didn't discharge your obligations with the Ontario Government any better than you did with Fenerty &

McLaurin, I can understand why they didn't make a deal with you.

A. It would require some more explanation perhaps. I don't think it is in line. It was our money we spent up there, as in many other cases, and we didn't get reimbursed. All I do know is that we had letters from the London Trust Company and they made promises to buy it outright.

BY THE CHAIRMAN - We don't know enough about this thing, to recommend anything to the Ontario Government. We don't know enough about the workings of your organization to recommend anything to the present Government of Ontario. We are a Dominion Commission you see, and while we would be very willing to recommend something to any Government that we knew the final details of, all very well and good. I am not saying we will not do anything about it, but I think the first step you should take is to get in touch with the present Ontario Government and have the same negotiations with them. I am not saying we are throwing you through the window, but if you expect our recommendations to have any influence with the present Ontario Government, I think they should first get all the information they can from you. I don't know whether this is a good process or what-not. I think you will have to convince the Ontario Government yourselves.

A. We did about 10 years ago.

Q. There is a new Government there now.

A. It seems to be a matter of humor to the gentleman sitting alongside of you. We will take that up, and it would be much more fair if you would frame your remarks in a proper light.

BY THE CHAIRMAN - Thank you Mr. Becker.

BY MR. FRAWLEY - There are some documents that we would now like to have marked as Exhibits.

EXHIBIT 234 - Letter from the St. John Board of Trade to the Commission, dated April 12th, 1945.

BY MR. FRAWLEY - The Mayor of St. John was going to be here to present this, but found he was unable to come.

BY THE CHAIRMAN - There was someone from the Minto fields wanted to be here at a certain time for the purpose of cross-examining the expert from the Mines Department.

BY DR. HOWLAND - That was Mr. Clements, but since he has seen the report of Mr. Vissac on that field, he is satisfied.

Exhibit 235 - Canadian Coals - Their Classification, Analyses and General Characteristics, by Department of Mines & Resources, Ottawa. Dated January 1945, Revised May 1945. May Edition.

BY COMMISSIONER McLAURIN - Was this by Swartzman?

BY MR. FRAWLEY - No Gilmore. I think Swartzman worked on it.

Exhibit 236 - Letter to Mr. Frawley from H. J. Callaghan, Commissioner of Tariff, dated Sept. 14th, 1945,

BY MR. FRAWLEY - Exhibit 236 is a compilation of customs duties and Mr. Callaghan was good enough to work out the ad valorem equivalent on this with the prices of coal at various times, in various months of the year.

Exhibit 237 - Submission to the Commission on Coal Labour Survey of Datal Workers in the coal mines of Nova Scotia conducted by National Selective Service.

BY MR. FRAWLEY - At one time it was thought someone was going to be here to put this survey before us, but there has been other counsel prevailed in that regard, and we have been instructed that it is simply going to be filed.

BY THE CHAIRMAN - I notice some sort of reply from the Counsel for the Coal Miners of Nova Scotia today complaining that we have not got the names of the individuals who were staying away from work down there without cause. That is impossible for us to get.

BY MR. FRAWLEY - I have seen letters from Mr. Cohen, and I have to consider them, and I will have some discussion with you about it.

BY THE CHAIRMAN - It is really dealing with absenteeism in the mines in Nova Scotia?

BY FRAWLEY - Yes, and why they could not get some coal workers

to go to the face. Now at Sydney I think I put into the record a letter from Dr. Cameron correcting a certain part of his brief, Exhibit 46, but undoubtedly there was some misunderstanding, so I would like to file a letter of June 25th, 1945, from Dr. Cameron, which speaks for itself, and to which has been added a statement of Nova Scotia Coal shipped to Canadian National Railways for Calendar years 1925 to 1944 inclusive. The effect of which is to change the information as contained in the table on page 7 of the Province of Nova Scotia brief, Ex. 46.

EXHIBIT 238 - Letter to Dr. R. D. Howland, Secretary of the Commission, from Alan E. Cameron, Deputy Minister of Mines for Nova Scotia, dated June 25th, 1945,, and accompanying statement.

EXHIBIT 239 - Letter from Joggins Coal Co. Ltd. to the Secretary of the Commission, dated June 4th, 1945, with accompanying statement of shipments to Canadian National Railways since the mine has been in operation.

BY MR. FRAWLEY - That is something that came up during the giving of Mr. Avard's evidence, and I think we will just put it in the record by giving it an Exhibit number.

EXHIBIT 240 -Letter from Empire-Hanna Coal Company, Ltd. to the Secretary of the Commission, dated April 26th, 1945,

BY MR. FRAWLEY - Exhibit 240 gives information of cost of various United States coal laid down at Winnipeg. That was furnished arising out of a request by Commissioner Morrison.

Exhibit 241 - Pamphlet from R. H. Watson of Edmonton dated April 25th, 1945.

BY MR. FRAWLEY - This Exhibit 241 is a private document which we received from Mr. Watson, which purports to comment upon the Province of Alberta's brief, and discusses electricity made from coal.

EXHIBIT 242 - Letter dated August 17th, 1945, to the Chairman of the Commission from the Highway Transport Association Inc. of Montreal,

BY MR. FRAWLEY - This Exhibit 242 has to do with the transportation of coal by highway. It is written in French, and we have had a translation made into English, and we will file both as Exhibit 242.

EXHIBIT 243 - Report on a Plan for the Beneficiation of the New Brunswick Coal Industry, dated December 1944. Report of Investigations Carbonization Section - No. 195, by Mr. Swartzman.

EXHIBIT 244 - Report on Underground Gasification for the Joggins-River Hebert Coal District, dated July 14, 1945, by Swartzman.

EXHIBIT 245 - Agreement between the United Mine Workers of America, District No. 26, and the Minto Coal Company, effective up to January 31st, 1945. with accompanying letter dated August 7, 1944, to the District Board Member.

EXHIBIT 246 - Agreement between Western Dominion Coal Mines Ltd. and Saskatchewan Coal Miners' Union (Taylorton Division), dated August 13th, 1945,.

BY THE CHAIRMAN - There were two Unions that gave us evidence?

BY MR. FRAWLEY - One in Estavan.

Q. And one in Regina?

A. This is Mr. Brodie's Union in Western Dominion.

BY COMMISSIONER McLAURIN - Does that cover Gilmore?

BY MR. FRAWLEY - Yes.

Q. Then all we have left is the Coal Control group, oil and freight rates?

A. Right. And then these two American groups who have asked for a hearing the following week.

3:30 P.M. HEARING ADJOURNED UNTIL MONDAY,
OCTOBER 15th, 1945. AT 10:00 O'CLOCK A. M.

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